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REVIEW OF THE IMPLEMENTATION OF COMMITMENTS AND OF OTHER PROVISIONS OF THE CONVENTION

RESEARCH AND SYSTEMATIC OBSERVATION

Report on the development of the observational networks of the climate system

Note by the secretariat

1. By its decision 8/CP.3, the Conference of the Parties (COP) at its third session requested the Subsidiary Body for Scientific and Technological Advice (SBSTA), with the assistance of the secretariat and in consultation with the Intergovernmental Panel on Climate Change (IPCC), to consider the adequacy of observational systems and to report on its conclusions to the COP at its fourth session (FCCC/CP/1997/7/Add.1). The observational networks referred to in the decision include the Global Climate Observing System (GCOS), the Global Ocean Observing System (GOOS) and the Global Terrestrial Observing System (GTOS).

2. At its eighth session, the SBSTA considered a report by the World Meteorological Organization (WMO). The report noted that the organizations participating in the Climate Agenda would prepare a comprehensive report on the adequacy of the global observing systems as requested by decision 8/CP3. The SBSTA recognized the deteriorating situation of the observational networks of the climate system and urged Parties to give high priority to

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* Including the ninth sessions of the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation.

reversing this decline and to introducing improvements (FCCC/SBSTA/1998/6). The SBSTA further invited the organizations participating in the Climate Agenda to complete the comprehensive report and make it available for consideration at its ninth session.

3. Further to this request, the GCOS Secretariat in WMO on behalf of the organizations participating in the Climate Agenda, has coordinated the preparation of a comprehensive report on the adequacy of the global observing systems (FCCC/CP/1998/MISC.2). A summary of the comprehensive report is reproduced without formal editing in the attached annex.

4. The SBSTA may wish to consider the information provided in the annex, to express appreciation to the organizations participating in the Climate Agenda for the preparation of the report and to consider, and as appropriate, endorse some or all of the recommendations contained therein and to report to COP 4 accordingly.

5. It may also wish to invite the organizations participating in the Climate Agenda to keep the SBSTA informed of developments regarding observational networks, particularly difficulties encountered, *inter alia*, with respect to the needs of developing countries.

Annex

REPORT ON THE ADEQUACY OF THE GLOBAL OBSERVING SYSTEMS

Executive Summary

INTRODUCTION

In recent years the prospect that the global climate could change as a result of human influence has generated widespread concern. A concerted global response has developed as a result of this potential for human-induced climate change. A Framework Convention on Climate Change (FCCC) has been ratified and come into force.

The emissions of carbon dioxide and other so-called "greenhouse gases" into the atmosphere are capable of modifying the global radiation balance giving rise to global climate effects. To establish that such anthropogenic influence is occurring requires that the signal be detected against the background of natural variability that is characteristic of the climate system. To provide scientifically credible advice on the future evolution of the climate and to provide information to guide mitigation and adaptation strategies to address potential impacts of climate change requires a continuing supply of selected observational information.

The third session of the Conference of the Parties (COP) requested the Subsidiary Body for Scientific and Technological Advice (SBSTA), in consultation with the Intergovernmental Panel on Climate Change (IPCC), to consider the adequacy of the relevant global observing systems and to report on its conclusions to the COP at its fourth session (Decision 8/CP.3).

The operation of the relevant observing systems is coordinated and facilitated by a number of international / intergovernmental organizations. These and other agencies[1] have prepared "The Climate Agenda" outlining a strategy for international cooperation in climate research, services, impacts, and more specifically for observations. The Global Climate Observing System (GCOS), which includes the climate aspects of the Global Ocean Observing System (GOOS), the Global Terrestrial Observing System (GTOS), and other observing systems, provides the focus for climate-related observations. These observations are collected through cooperative efforts among relevant national and international organizations. Because of its specific mandate to address observations for climate, GCOS has taken the lead in providing assistance to SBSTA in the preparation of this report to the fourth session of the COP.

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[1] The organizations that sponsor the Climate Agenda are the Food and Agriculture Organization (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and its Intergovernmental Oceanographic Commission (IOC), the United Nations Environment Programme (UNEP), the World Health Organization (WHO), the World Meteorological Organization (WMO), and the International Council for Science (ICSU).

This report has three purposes:

- To identify the essential observations needed to support the FCCC;
- To assess the adequacy of existing and planned observing systems to meet the needs; and
- To make specific recommendations for improvements.

The report concludes that many of the observational requirements are generally known and documented and that many of the observing components are in place, but need augmentations and enhancements to serve climate purposes. Fortunately many of the techniques needed to obtain the measurements are currently available and cost-effective and an appropriate infrastructure has been identified to facilitate the climate-related observations.

What is urgently needed now is a commitment by nations to provide global coverage for the key variables, to halt and reverse the degradation of existing observing systems, and to exchange information more effectively. Specific improvements are needed in atmospheric, oceanic, and terrestrial systems. It is recommended that each Party should undertake programs of systematic observations in accordance with national plans which they should develop in concert with the overall strategy for global climate observations. A positive response to this challenge would significantly advance the implementation of an effective observing system for climate and support the objectives of the FCCC.

OBSERVING THE EARTH'S CLIMATE

During the past few decades the international scientific community has sought to understand the Earth's climate, to determine its inherent variability, and to predict and assess climate change arising from anthropogenic influences. These studies have mostly been based on analyses and models using available historical data. Such data have often been obtained from observing networks established for purposes other than climate. Although many of the existing observing networks satisfactorily meet their specific objectives (e.g., weather forecasting, aviation and marine operations, or research programs), the scientific community engaged in climate research, and in particular, the IPCC, have identified deficiencies in the observing networks which limit their utility for climate purposes.

The GCOS and others have undertaken a detailed analysis of the observational requirements for climate and the capability of existing and planned observing networks to meet them. The analysis determined that many national, regional, and global programs currently provide significant observational information useful for climate. These programs should be acknowledged and encouraged to continue their efforts.

However, when measured against the specific requirements for climate, the observing networks display several types of deficiencies and inadequacies. For example:

- Satisfactory global coverage for many of the essential climate variables has not been achieved. Meteorological networks have large gaps over several continents and much of the ocean. Recent declines in the absolute numbers of surface observations have been documented. These gaps in global coverage seriously impact climate assessment and modeling efforts.
- Regional coverage is not adequate in many areas. Surface and upper-atmosphere observations from large parts of Africa, Asia, and South America are not available. Ironically, these gaps in regional coverage are typically most serious in regions where impacts of climate change are expected to be most severe.
- Observations of selected variables often do not have adequate accuracy or precision to be reliably used as indicators of climate change. Changes in station siting and techniques or methods of observation have often been made with little consideration of the impact on climate records. Resulting instrumental drifts and biases are difficult if not impossible to remove after the fact.
- Key data sets, although collected, are often not effectively exchanged. This problem has many sources and is currently being addressed at various levels. However, for climate, the result is that potentially valuable global or regional data sets are often unavailable to the user communities.

If not rectified, these and similar deficiencies will seriously impact the ability of the scientific community to provide essential information to guide assessments of future climate change and in particular to support the work of the Convention.

GOALS, REQUIREMENTS, AND IMPLEMENTATION

Goals

There are several interrelated goals that observational programs must meet to provide an effective foundation for climate studies and assessments in general, and in support of specific issues facing the FCCC. These are to:

1. Observe and characterize the current climate, including its variability and associated extreme events;
2. Obtain information useful to detect climate change, determine the rate of change and assist in attributing the causes of change;
3. Provide observations to determine climate forcing resulting from changing concentrations of greenhouse gases and other anthropogenic causes;
4. Provide observations to validate models and assist in prediction of the future climate;
5. Contribute observations to understand and quantify impacts of climate change on human activities and natural systems.

Requirements

To observe and characterize climate, it must be recognized that the climate system is fundamentally global and involves interactions among all components (land, sea, ice and air). Importance is therefore attached to comprehensive, global data sets to delineate the important signals of climate variability and to minimize the uncertainty. Data with long uninterrupted records warrant special consideration. Since the atmosphere is central to climate, it is essential to characterize the three-dimensional state of the atmosphere and the meteorological conditions at the Earth's surface. Global surface pressure and temperature fields of high quality and temporal and spatial consistency are essential. Sea surface conditions, including sea ice are important. The ocean is an integrator of variability, suppressing and weakening high-frequency fluctuations in favor of the slowly varying climate signals. The ocean requirements include annual fields of global sea level change, time series stations with long, high-quality records, a limited number of repeated, high-quality full depth trans-oceanic sections, and enhanced sampling of the upper ocean. Measurements of the carbon cycle in the ocean are needed, but present a severe challenge. Land surface characterization requires information on the hydrological cycle variables including the cryosphere.

Detection and attribution of climate change require the identification of statistically significant changes in climate against a background of natural variability and of causes of such changes, respectively. This demands particular attention be given to the quality and comprehensiveness of the data sets and the methods of processing. Current emphasis on coherent patterns of change (hypothesized versus measured) requires an integrated system of components each functioning in a prescribed manner.

To determine climate forcing due to atmospheric constituents the detailed requirements are a function of the particular constituent. Uncertainty in the quantity and distribution of atmospheric constituents contributes significantly to uncertainty in their effective global warming potential. All elements of radiative exchange, including ozone concentration, must be measured on a long-term, continuing basis. Aerosols have recently been shown to play a key role in the radiative exchange and reliable global estimates are now needed. The use of models to develop predictions based on various greenhouse scenarios is an accepted strategy for climate change assessment. Their uncertainty depends in part on the validity of the model, and that in turn is a strong function of the model assumptions and parameterizations. Comprehensive data sets are required to establish model validity and to test parameterizations. Process studies are extremely important for developing models and improving confidence in their projections. For carbon cycles there is a requirement for better monitoring in all spheres of the climate system - land, ocean and atmosphere.

To understand and quantify impacts of climate change on human activities and natural systems a variety of variables must be systematically observed. Due to the many potential land surface impacts of climate change, and the diversity of products that are of value to user communities, a prioritization of the terrestrial variables has been made. Land cover and use measurements,

hydrological variables, biophysical properties of vegetation, and biogeochemical variables are included. Some observations fall outside the remit of the global observing systems (e.g., incidence of diseases or details of change in biodiversity) so coordination with appropriate groups is being fostered.

Implementation

The responsibility for securing the observations to meet this suite of requirements rests with the various national agencies and programs. To be effective, the observing system components should be collected in accordance with an internationally coordinated strategy. A number of international organizations prepared the Climate Agenda with a major thrust to obtain dedicated observations of the climate system. They identified GCOS as the coordinating program for observations. Several international organizations[2] established the GCOS to develop a comprehensive approach for climate observations. GCOS documented the needs through extensive dialogue with the scientific community, and assessed the current and projected capability of observing systems to meet them through consultation with appropriate programs. Based on the findings, GCOS proposed recommendations through its sponsoring organizations to address critical issues and deficiencies.

The GCOS builds on existing operational and research observing activities through partnerships, recommending new observing components only when necessary. The individual observing components that comprise GCOS are operated by individual nations through commitments to work within the GCOS framework. In many nations, the basis for contributing to GCOS already exists. Commitment to continue and improve the operation of existing networks and to support appropriate augmentations and enhancements is now required. For some nations, participation will require new observational sites or networks. Financial assistance to help some of them participate in undertaking systematic observations and benefit from the resulting efforts needs to be identified.

RECOMMENDATIONS

Based on the analysis of the required observations and assessments of current and future observing systems, feasible and cost-effective recommendations for improvements have been formulated. First, three general recommendations, most effectively addressed by the Parties to the Convention working in concert, are proposed. Second, specific recommendations, perhaps best addressed by individual nations through appropriate national agency activities, focus on particular elements of the observing systems. Implementation of these recommendations should provide current and future generations with the observations and data required to support the evolving needs of the FCCC.

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[2] IOC, UNEP, WMO, and ICSU.

General Recommendations

It is essential that the Parties to the Convention continue to place a high priority on the acquisition of observations to reduce uncertainties and adverse effects of climate change. To be effective, the observations should be collected and exchanged in accordance with an overall strategy. Parties should encourage and support the preparation of specific national plans, based on overall plans formulated by GCOS and its partner programs. The national plans should contain commitments to undertake specific implementation actions.

Parties should allocate necessary financial and human resources to support, independently and collectively, the observing activities of the relevant international organizations. Where the established observing networks are inadequate or absent, the Parties should contribute to their development through appropriate funding mechanisms.

The Parties should request regular reports on the status of the observing system and its implementation. These could be coordinated by the GCOS Secretariat on behalf of the participating programs and with the participation of SBSTA.

For many of the important variables, observations may be underway but the resulting data are often not effectively shared. The FCCC commits Parties to exchange climate data and to develop climate data archives. The Parties should reaffirm their commitment to this principle and in particular support efforts to eliminate barriers which limit the exchange of climate information.

Systematic evaluations of the performance of current observing systems indicate a number of geographical areas are sparsely covered. For example, atmospheric and terrestrial observations are often lacking in large areas of Africa, South America and parts of Asia. To redress these and similar deficiencies, a concerted effort in capacity building must be undertaken. It is one of the tenets of the FCCC and the Kyoto Protocol that the development and strengthening of endogenous capacities and capabilities be promoted. The parties should reaffirm their support of capacity building through appropriate programs of the international agencies and other mechanisms as appropriate.

Recommendation 1

Each Party should undertake programs of systematic observations including the preparation of specific national plans, based on the overall plans formulated by GCOS and its partner programs. The national plans should contain commitments to undertake specific implementation actions and be tabled and reviewed at regular intervals at COP sessions.

Recommendation 2

Parties should exchange, with other nations and with appropriate international organizations, those data required to meet climate objectives and the needs of the FCCC. They should take active steps to eliminate any internal barriers to such exchange.

Recommendation 3

Parties should actively support capacity development to enable countries to collect and utilize observations to meet local and regional needs. The capacity building programs of appropriate international organizations could assist countries to acquire and use climate information. If necessary, Parties should reconsider the priorities of funding mechanisms which support the FCCC.

Specific Recommendations

Due to the complexity of the climate issue, the observing systems are composed of a large number of individual components which must be integrated into an effective composite system. This requires adherence to a set of guiding principles which ensure the integrity of the long-term networks for the various components. The performance of the networks should be continuously monitored to ensure quality control. Space-based observations provide a particularly significant contribution to the global observing systems but also pose specific issues which are being addressed in cooperation with the space agencies. In particular, an Integrated Global Observing Strategy (IGOS) is now being developed by the international organizations and the space agencies to foster coordination, to avoid duplications and gaps, and to provide a mechanism for long-term continuity of the critical space-based climate measurements.

For convenience, the global observing systems may be discussed in terms of the three major components: atmospheric, oceanic, and terrestrial. Each of them is in markedly different stages of development. The following discussion of the systems and the specific recommendations are illustrative. For details, the Background Report should be consulted.

1. Atmospheric Observations

The atmospheric component of the climate observing system is the most developed. This is due to the long heritage of national cooperation to obtain and exchange those observations required for weather forecasting. Current characterizations of the dynamic and thermodynamic aspects of the climate system are provided through the World Weather Watch (WWW), a composite observing system including meteorological satellites, as well as global surface and upper-air measurement systems.

While the WWW is effective for many purposes, difficulties persist in providing truly reliable global coverage and in maintaining the standards needed for climate applications. Significant

regions of the globe are inadequately observed and many areas have experienced declines in the number and quality of the observations. For upper-air observations, the number of observations has decreased somewhat, but many fewer regions of the globe, particularly in the tropics and Southern Hemisphere, have regular coverage.

To meet specific climate objectives, GCOS selected elements of the WWW to form the basis of a climate network. The GCOS Upper-Air Network (GUAN), consisting of about 160 stations, and the GCOS Surface Network (GSN), consisting of about 1000 stations, were designed to form the basis of a high-quality global-scale climate network. Despite national agreements to maintain these networks, there are deficiencies in their current operation. Evaluations indicate that over 35% of the GUAN stations failed to fully provide the specified observations in the last quarter of 1997. For the GSN the global performance is under review, but many regions of the world are seen to be experiencing major gaps in coverage. In Africa, for example, 45 of the five-degree square grids failed to report one station report per month in 1997. Difficulties arise in parts of Asia as well.

The Global Atmosphere Watch (GAW) currently provides baseline global and regional observations of well-mixed atmospheric constituents including greenhouse gases in support of GCOS. In conjunction with satellite observations, it also provides information on ozone concentration, although the network is not adequate to document the distribution in the troposphere and in the Southern Hemisphere stratosphere. For example in South America there is only one CO_2 station and none for CH_4, N_2O or CFCs. In Africa only two stations systematically observe CO_2 and in the former Soviet Union there is only one.

Recommendation 4

Countries should support national meteorological observing systems and particularly ensure that the stations identified as elements of the GCOS networks based on the WWW and GAW are fully operational and that best practices are maintained. Support should be provided to assist countries as needed. The number of stations in the observing networks for atmospheric constituents including ozone, and aerosols when formulated, should be increased. Satellite missions to observe and quantify atmospheric constituents should continue.

2. Oceanic Observations

The oceanic component of the climate observing system is in a rapid state of development. Oceanographic research activities over the past decades (e.g., the Tropical Ocean Global Atmosphere (TOGA) and World Ocean Circulation Experiment (WOCE) of the World Climate Research Programme (WCRP)) have identified and provided scientific justification for the ocean parameters that are critical for the climate system. These key elements include sea level, sea surface and upper ocean temperature and salinity, budgets and fluxes of heat, momentum, water and carbon, and sea ice. Particular emphasis should be given to obtain information from the data sparse areas such as the southern oceans; ice-covered regions and the ocean interior, all currently

very poorly sampled. The principal concern is that currently a major fraction of the essential measurements come from research activities and may lack a long-term commitment. Few countries have appropriate operational infrastructure, so long-term commitments are uncertain.

To provide the ocean component of GCOS, GOOS, an operational ocean observing system, is being developed. The proposed system would include contributions from the Global Sea-Level Observing System (GLOSS) and the Integrated Global Ocean System Services System (IGOSS). The climate elements would include sea level, surface marine, and full ocean depth components, each utilizing a balanced mix of techniques, including satellites, to overcome severe ocean sampling difficulties.

Specific efforts are required to maintain the sea level and surface marine networks. After many years, the GLOSS network receives observations from about 75% of the desired sites. Sampling from volunteer observing ships has provided surface and upper ocean observations, but coverage is limited. Currently about 80% of the recommended samples are collected. Increasing numbers of surface drifting buoys are being deployed through regional consortia, but efforts are still needed to achieve the recommended global coverage. Despite efforts to enhance regional sampling, vast areas of the Southern Hemisphere oceans remain unsampled.

To calibrate ocean fluxes, several representative reference stations should be established. A minimal number have been proposed but commitments to implement them have not been received to date. Repeat oceanic profiles need to be undertaken to provide information on climate changes in the ocean. During WOCE, many repeat sections were undertaken, but no firm commitments exist for their continuation.

Recommendation 5

Countries should actively support national oceanic observing systems and particularly ensure that the elements of the GCOS and GOOS networks in support of ocean climate observations are implemented to the degree possible. Support should be provided to increase the number of surface observations, particularly in remote locations, and to establish and maintain reference stations and repeat sections. Current satellite missions to observe sea surface elevation, wind stress, and temperatures should be continued.

3. Terrestrial Observations

The terrestrial observing system component is much less mature. While significant effort has been made in recent years to establish the observational networks that are required to characterize the terrestrial component of the climate system, much research and development remains to be done. Current programs of WCRP and the International Geosphere-Biosphere Programme (IGBP) are providing guidance regarding the priorities to be assigned to the terrestrial variables. The following key elements of land surface processes and land use have been identified: ecosystem state; carbon and other biogeochemical cycles; and the hydrosphere

and cryosphere. Particular emphasis is needed to address the complete range of hydrological, cryospheric, and water cycle related variables (precipitation, evaporation, runoff, storage; soil moisture; snow and ice).

Cooperative efforts are currently under development with the GTOS and through various research and operational programs to establish terrestrial networks. The resulting networks rely on effective utilization of observations from national and international programs that were established principally for non-climate purposes, but suitably modified, could contribute significantly to meet climate needs. The WMO Hydrology and Water Resources program, the Global Runoff Data Center (GRDC), the World Hydrological Cycle Observing System, and the World Glacier Monitoring Service provide notable contributions for hydrological variables. A number of national and international ecosystem networks are coordinating their climate-related observing activities in support of GCOS and GTOS.

There are however many examples of recent declines in observations. Provision of data to the GRDC following an initial exchange of data has diminished substantially, such that reports delivered for 1990 were less than half of those for the early 1980's. Many glacier mass balance survey programs have been discontinued. The coverage of data from high resolution optical satellites, vital for monitoring anthropogenic land cover change including deforestation, was much worse globally in the early 1990's than in the early 1970's, due largely to changes in acquisition strategies. Changes of the overpass times of polar-orbiting meteorological satellites have also led to the deterioration of the long term terrestrial climate record.

Considerable effort will be required to create long-term operational systems, which can provide required global information on many terrestrial variables including land use, fires, glaciers and several other hydrological variables.

Recommendation 6

Countries should actively support national terrestrial networks and in particular the various observational programs to collect, exchange and preserve terrestrial variables according to GCOS and GTOS climate priorities. Specific support is required to secure and distribute relevant hydrosphere and cryosphere observations. Ecosystem networks addressing climate impact should be coordinated to provide global and regional databases. There is a particular need to encourage the transition from research to operational status of many of the terrestrial networks. Strong encouragement and financial support, if appropriate, should be given to developing countries to enable them to collect observations in support of warning systems in connection with extreme events exacerbated by climate change, vulnerability and impacts studies, and national and regional sustainable development efforts.

CONCLUSIONS

There are major deficiencies in the existing observing systems which limit their utility in addressing climate issues and the objectives of the FCCC. Current observing systems were not designed to address climate issues, and moreover they are deteriorating in critical areas. Many of the observations that could be useful are not effectively being shared. To support the goals of the FCCC, stronger commitments to comprehensive sustained observing systems must be made by the Parties to the Convention. Such commitments should be manifest through the national agencies, international organizations, and mechanisms such as the Global Climate Observing System and relevant components of the Global Ocean and Global Terrestrial Observing Systems to ensure an effective long term climate record is developed and secured for the future.

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ADMINISTRATIVE AND FINANCIAL MATTERS

Note by the Executive Secretary

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Annex

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I. INTRODUCTION

A. Mandate

1. Rule 10 (e) of the draft rules of procedure being applied (FCCC/CP/1996/2) provides that the provisional agenda of each session shall include, as appropriate, the proposed budget as well as all questions pertaining to the accounts and financial arrangements.

2. The Conference of the Parties, at its third session (COP 3), requested the Executive Secretary:

(a) To submit to the Conference of the Parties at its fourth session, through the Subsidiary Body for Implementation (SBI), an initial report on financial performance in 1998 (decision 16/CP.3, para. 4);[1] and

(b) To continue discussion with the United Nations regarding administrative arrangements for the Convention, and to inform the Conference of the Parties, through the SBI, as appropriate, of any significant developments (decision 17/CP.3, para. 2).

3. At its eighth session, the SBI, after considering the information contained in FCCC/SBI/1998/4, made a number of recommendations that require the approval of the Conference of the Parties at its fourth session (COP 4), including one pertaining to the revision of the indicative scale of contributions to the core budget of the Convention. In this context, the SBI requested the secretariat to prepare a draft omnibus decision on administrative and financial matters for consideration by COP 4 (FCCC/SBI/1998/6).

B. Scope of the note

4. This document responds to the requests noted above, as follows:

(a) Section II contains reports on initial financial performance in 1998 for all four UNFCCC trust funds, namely, the Trust Fund for the Core Budget of UNFCCC; the Trust Fund for Participation in the UNFCCC Process; the Trust Fund for Supplementary Activities and the Trust Fund for the Special Annual Contribution from the Government of Germany (Bonn Fund);

(b) Section III deals with personnel matters. It reports on the progress made so far in classifying, advertising and filling the posts in the secretariat;

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[1] For the full text of decisions adopted by the Conference of the Parties at its third session, see document FCCC/CP/1997/7/Add.1.

(c) Section IV contains a progress report on discussions with the United Nations on the review of administrative arrangements of the Convention; and

(d) The recommended modality for determining the indicative scale of contributions, including a table indicating the actual percentage payable by each Party based on the new scale as well as the subsequent amendment of the financial procedures (decision 15/CP.1),[2] is reviewed in section V.

5. This document should be read in conjunction with the other documents relating to administrative and financial matters prepared for the Conference:

(a) An addendum to this document containing an update on developments concerning the review of administrative arrangements and the text of the draft omnibus decision on administrative and financial matters requested by the SBI (FCCC/CP/1998/8/Add.1);

(b) The final audited financial statements for the biennium 1996-1997 and the audit report of the United Nations Board of Auditors (FCCC/CP/1998/9);

(c) The full text of the report of the United Nations Office of Internal Oversight Services of the secretariat in 1997 and 1998 (FCCC/CP/1998/INF.1);

(d) Excerpts from, or summaries of, the reports of the internal and external auditors along with comments from the secretariat (FCCC/CP/1998/10); and

(e) A report on the status of receipt of contributions to the UNFCCC trust funds (FCCC/CP/1998/INF.6).

C. Possible action by the Conference of the Parties

6. The Conference of the Parties may wish to refer this item to the SBI with a request to recommend a draft omnibus decision to COP 4 for adoption, taking account of the draft by the secretariat.

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[2] For the full text of decisions adopted by the Conference of the Parties at its first session, see document FCCC/CP/1995/7/Add.1.

II. FINANCIAL PERFORMANCE IN 1998

A. Trust Fund for the Core Budget of UNFCCC

1. Budget

7. By its decision 15/CP.3, COP 3 approved a core budget of $21,346,000 for the biennium 1998-1999 for UNFCCC, including the post-Kyoto contingency, which was re-apportioned by the SBI at its eighth session as follows:

1998	$ 9,645,300
1999	$11,700,700
Biennium total:	$21,346,000

2. Contributions

8. As at 1 August 1998, contributions to the UNFCCC core budget trust fund received this year amounted to $6,172,160. Of this total, $309,861 refers to advance partial payments made by Parties for their 1999 contributions. The paid contributions with respect to 1998 therefore amounted to $5,862,299 or 66 per cent of the total for the year. This represents contributions paid in full or in part by 55 Parties or 32 per cent of the total number of Parties to the Convention. (An update on the status of contributions as at 15 October 1998 can be found in document FCCC/CP/1998/INF.6.)

3. Carry-over balance

9. Any funds remaining unspent at the end of a biennium are carried over into the new biennium. This "carry-over balance" is also augmented by the payment of contributions that are in arrears from prior bienniums. In the case of UNFCCC, the carry-over balance can, at this point, be traced to two primary sources - late payment of contributions and a high vacancy rate for posts.

10. The secretariat, in 1996-1997, managed its funds on the basis of contributions received rather than contributions expected. As this was the first Convention budget period, there was insufficient experience with cash flow to do otherwise. Consequently, the secretariat exercised prudence before entering into long-term financial obligations. The late payment of contributions within the biennium and even after it had ended, taken with this prudent approach, acted as a brake on expenditures.

11. The net result of these influences is that $2,744,959 of 1996-1997 funds was carried over into the 1998-1999 biennium. This amount has since been supplemented by a further $542,123 in contributions received after the close of the biennium. These funds, having

resulted in large part from the late payment of contributions, have turned out to be the cushion that was needed to allow the secretariat to operate in an environment of financial stability and continuity. It has been possible to plan and implement the programme of work from the beginning of the year without having to wait for contributions to be paid, including the launch of intensive efforts to fill vacant posts.

12. Looking to the future, the fact that the secretariat is making major strides in filling its posts will mean that in future years the cash flow requirements at the beginning of the year, when contributions have traditionally been slow to arrive, will be significantly in excess of the funds available in the working capital reserve. Thus, the funds available in the "carry-over balance" can be seen as an important guarantee of the financial stability of the secretariat.

13. Parties may wish to consider approaches to dealing with the carry-over balance. One option would be to credit the full amount to Parties against upcoming contributions. This would have the effect of rewarding late-payers at the expense of the Convention process and jeopardizing the financial stability of the secretariat. An alternative approach would be to defer a decision on the crediting of these amounts to Parties until there is more experience with the financing of the Convention budget and to begin to consider what might be a comfortable level of cash that should be maintained at the beginning of each biennium for the initiation of the secretariat's work programme. In this way, the carry-over balance, which has arisen from the late payment of contributions, can be the source of a solution to the cash flow problem that results from the situation. This cushion will be increasingly important as the secretariat moves to full occupancy of posts and the flexibility currently afforded by savings from vacant posts is lost.

4. Expenditures

14. Direct expenditures through 1 August 1998, plus estimated expenditures to the end of the year, are expected to total $7,213,180 (excluding the administrative support charge and the working capital reserve), an amount equivalent to approximately 85 per cent of the corresponding total approved by COP 3 for core budget activities (see decision 15/CP.3). Although contributions received currently total only 66 per cent, based on past experience it is expected that 85 per cent of the contributions for the year will be paid. Tables 1 (a) and 1 (b) contain breakdowns of expenditures, recorded by programme and object of expenditure respectively, along with estimated expenditures for the balance of 1998.

(a) Expenditures by programme

15. At its eighth session, the SBI endorsed the Executive Secretary's proposed deployment of the post-Kyoto contingency resources as well as the reallocation of the core budget resources as necessary and within the 15 per cent limit between the programmes. To this end, the Executive Secretary has allocated limited additional funds from the budget to the Resources, Planning and Coordination programme to cover additional requirements for administrative services, with the expectation that these will be refunded to the core budget when additional

overhead funds are provided by the United Nations. Until such resources are received, that programme is shown as slightly exceeding its allocated budget for the year, which will easily be covered from the savings realized under the other programmes.

16. At this stage, the secretariat does not intend to seek additional resources for this biennium. However, should significant new work be required arising from the deliberations of the subsidiary bodies and the COP, some activities would have to be postponed or new funds would have to be provided or authorized to cover the costs. For example, the secretariat informed the Ad Hoc Group on Article 13 that there is no provision in the programme budget for the year 1999 to cover work related to meetings of the proposed multilateral consultative committee (see FCCC/CP/1997/INF.1, section II.C(i)). The financial implications of this and other proposals would need to be considered by the COP.

Table 1 (a): Estimated expenditures in 1998 by programme
(United States dollars)

Programme	Approved budget	Estimated expenditures	%
Executive Direction and Management	621,300	572,540	92
Science and Technology	2,338,800	1,746,070	75
Implementation	2,392,800	2,125,270	89
Conference and Information Support	1,500,100	1,088,300	80
Resources, Planning and Coordination	1,600,000	1,681,000	105
Total	**8,453,000**	**7,213,180**	**87**

(b) Expenditures by object of expenditure

17. As indicated in table 1 (b), the staff costs are expected to amount to $4,587,830, being 75 per cent of the budgeted amount for the same purpose. Although the vacancy rate was high at the beginning of the year, the gaps in the secretariat's staff were filled largely by short-term staff members and consultants. This may lead to a higher expenditure than originally estimated for consultancy. However, it is expected that the overall expenditures on personnel will still be less than the approved level owing to the continuing process to fill vacant posts. Information on the progress in filling vacant posts in the secretariat is reported in paragraph 56 below.

18. The expenditures for travel of participants are also expected to be higher than budgeted owing to an underestimation of the costs for travel of experts participating in in-depth reviews of national communications from Annex I Parties.

Table 1 (b): Estimated expenditures in 1998 by object of expenditure
(United States dollars)

Object of expenditure	Budgeted amount	Estimated expenditures	%
Staff costs	6,086,800	4,587,830	75
Consultants	355,000	531,450	150
Travel of participants	285,000	353,700	124
Travel of staff	412,500	412,500	100
General operating expenses	963,700	977,700	101
Grants and contributions	350,000	350,000	100
Total	**8,453,000**	**7,213,180**	**85**

5. Programme delivery

19. All secretariat programmes dedicated considerable management and staff time in the first half of 1998 to putting the secretariat's administrative house in order. The heavy meeting schedule in 1997 and preparations for COP 3 meant that such tasks had previously been neglected. Consequently major efforts were required in 1998 to revise job descriptions, develop work plans, implement the United Nations Performance Appraisal System, and develop administrative policies and procedures. In addition, significant management time is being invested in the recruitment of new staff to fill vacant posts.

20. The following reports on programme delivery refer to both core and supplementary funds and cover work to 1 August 1998.

(a) Executive Direction and Management

21. The head of the secretariat provided overall guidance to the work of the secretariat in its support to the Convention institutions, in particular in the following new areas:

- Implementing the new programme structure of the secretariat as from 1 January 1998;
- Developing and implementing the personnel policy of the secretariat which entered into force on 30 March 1998;
- Developing policies and procedures for the use of supplementary funds.

The Executive Secretary participated as a member in the Secretary-General's Task Force on Environment and Human Settlements and in the preparation of its report, as well as carrying out representational functions at numerous events.

(b) Science and Technology Programme

22. The Science and Technology programme coordinated secretariat support for the Subsidiary Body for Scientific and Technological Advice (SBSTA). It prepared documentation for Parties on matters before the SBSTA, as well as on those matters addressed jointly with the SBI, including compilations of views submitted by Parties. This documentation concerned ongoing issues in the Convention process, for example, methodological issues, activities implemented jointly (AIJ) under the pilot phase, the development and transfer of technologies and cooperation with relevant international organizations. It further covered matters arising from decision 1/CP.3 on the adoption of the Kyoto Protocol, such as land-use change and forestry and the mechanisms referred to in Articles 6, 12 and 17 of the Protocol.

23. In response to interest expressed by the Chairmen of the SBSTA and the SBI, the secretariat convened an inter-organizational meeting prior to the eighth sessions of the subsidiary bodies to collect information on the activities and plans of intergovernmental and non-governmental organizations with particular expertise or interest in the three mechanisms defined in the Kyoto Protocol. An oral report was made to a joint meeting of the SBSTA and the SBI at their eighth sessions.

24. In addition to participating in workshops and meetings at expert level and providing substantive input to these, the secretariat is planning three workshops of its own for the period up to COP 4: two on project-related mechanisms (14-16 September 1998 and 17-18 September 1998, Abidjan, Côte d'Ivoire) and another, jointly organized with the Intergovernmental Panel on Climate Change (IPCC), on land-use change and forestry issues arising from the Kyoto Protocol (24-25 September 1998, Rome).

25. The secretariat has continued its regular communication and coordination with the IPCC and its parent bodies, the World Meteorological Organization and the United Nations Environment Programme, as well as with other organizations in the Climate Agenda, through, for example, participation in meetings of the IPCC and provision of support to the Joint Working Group of the IPCC and the Convention. It has also established cooperative contacts with the Intergovernmental Forum on Forests, the International Geosphere-Biosphere Programme, the International Human Dimensions Programme and the Food and Agriculture Organization of the United Nations.

26. The secretariat has expanded the AIJ module on its Web site, regularly updating the list of projects in line with new information received. It has also established an electronic network for the exchange of information on meetings on the mechanisms (list-serve). A new technology

module was further added to the secretariat Web site, and the secretariat also plans to publish the roster of experts electronically.

(c) Implementation programme

27. The Implementation programme coordinated secretariat support for the SBI. It prepared documentation for the SBI as well as for the SBSTA, including compilations of views submitted by Parties. This documentation concerned ongoing issues in the Convention process related to the financial mechanism and national communications by Annex I and non-Annex I Parties. Documentation was also prepared and support provided to the Ad Hoc Group on Article 13 to enable the Group to complete its work.

28. The first round of the in-depth reviews of national communications from Annex I Parties was completed. Thirteen in-depth reviews of second national communications were undertaken, including country visits, and 10 national communications were circulated. Steps were taken to receive additional nominations of government experts for participation in the in-depth reviews.

29. The secretariat has participated in 10 regional/inter-regional workshops dealing with different issues related to the preparation of initial national communications and has organized four special events regarding capacity-building needs of non-Annex I Parties. In its aim to assist non-Annex I Parties, a training package on "The Preparation of Initial National Communications" is to be made available to Parties, in English, French and Spanish, by the end of 1998. Also, the secretariat has continued to disseminate information electronically and to follow up the implementation of the CC:INFO Web initiative (national Web sites). The secretariat is also organizing a workshop on emission factors and activity data in Havana, Cuba, with the objective of assisting non-Annex I Parties to improve their inventories of greenhouse gas emissions. This is the first activity in the process of developing a forum for the exchange of experience on emission factors and activity data.

30. Pursuant to a conclusion of the SBI at its eighth session (FCCC/SBI/1998/6, para. 28 (b)), the secretariat organized a workshop in Kuala Lumpur on the process for the consideration of national communications from non-Annex I Parties.

31. The secretariat has continued its participation in the Global Environment Facility (GEF) Operations Committee, the GEF Climate Change Task Force and the Scientific and Technical Advisory Panel. The secretariat is co-chairing the Advisory Implementation Committee of the National Communications Support Programme, approved by the GEF Council in March 1998. Following the recommendations of the GEF Assembly, the secretariat has also been participating in a consultative process under the GEF framework to identify possibilities of improving determination of incremental costs.

32. Preparation of the compilation and synthesis of second national communications from Annex I Parties was undertaken. Experts from seven institutions participated in the exercise

from the Organisation for Economic Co-operation and Development, the International Energy Agency, the Asian Energy Institute, the Centre for Energy, Environment Science and Technology and the Latin American Energy Organization. The secretariat is also coordinating a group on the development of global data relevant to the Convention.

33. The secretariat participated in and provided substantive inputs to workshops and meetings, including to the Committee on Trade and Environment of the World Trade Organization. Inputs were also provided to an expert group meeting on compliance and dispute settlement.

(d) Conference and Information Support programme

34. The Conference and Information Support programme provided the Convention bodies with the services and support necessary for the convening of official sessions and provided an information system and information technologies to the secretariat and to the Convention process through the UNFCCC Web site. Preparatory work to better respond to Article 6 of the UNFCCC was carried out, including a workshop during the June sessions of the subsidiary bodies.

35. The secretariat arranged for suitable facilities for the June meetings of the subsidiary bodies, coordinated the editing and submission of documentation and liaised with the Conference Services Division of the United Nations Office at Geneva to ensure effective support for all sessions. It maintained regular contacts with Parties through national focal points and diplomatic missions and facilitated participation in the meetings of Convention bodies. Planning activities for COP 4 and related preparations have also started.

36. The secretariat maintained and further developed the secretariat's computer and electronic communications systems, provided the technical capacity necessary to respond to demands from the Parties for documentation and information, and developed and produced a range of information products and materials. This included providing participants with computer facilities during the meetings of the subsidiary bodies in June 1998, and the further development of on-line services on the World Wide Web (http://www.unfccc.de).

37. Booklets of the Kyoto Protocol and relevant COP decisions were printed in English, French, and Spanish, and distributed as needed. Other United Nations language versions will be available soon. The UNFCCC library provides a comprehensive collection of the official documents of the Convention, as well as related published and unpublished documentation.

(e) Resources, Planning and Coordination programme

38. The Resources, Planning and Coordination programme provided substantive support to the Bureau of the COP. This included organizing meetings in March 1998 and during the

June 1998 session, preparing background notes and materials, and assisting the Presidency in conducting informal consultations on the election of officers and the rules of procedure.

39. The secretariat oversaw the finalization of the authentic text of the Kyoto Protocol, and all associated reviews. It also assisted the United Nations Office of Legal Affairs in preparing for the opening of the Protocol for signature on 16 March 1998.

40. In preparation for the fourth session of the COP, the secretariat provided the SBI with support and documentation for its consideration of COP-related items. It also worked closely with the Conference and Information Support programme in planning and making initial arrangements for COP 4. This included providing a legal review of the draft host country agreement.

41. Finally, the programme led the secretariat's efforts to coordinate the activities of its various programmes and to improve its planning process. The secretariat also sought to advance the Convention's interests in various coordination mechanisms within the United Nations system.

42. The Financial Management and Administration subprogramme, with assistance from the United Nations Office at Geneva, continued to provide the secretariat with all services in the areas of recruitment and personnel administration, budgeting and financial planning and control, procurement and general services, and travel arrangements for staff and participants to the COP, subsidiary bodies, workshops and informal consultations.

43. In particular, the subprogramme has assisted the Executive Secretary in the preparation of the official documents for the COP and the SBI and in developing the "Personnel Policy in the UNFCCC secretariat: Appointment and Career Development". In addition, it spearheaded the classification of all established posts based on the new organizational structure effective 1 January 1998 and the regularization and confirmation, against vacant posts, of staff who have been working for the secretariat on short-term contracts during the last biennium. In addition, efforts are beginning to be directed towards the design, development and implementation of an information system to automate the subprogramme's activities.

B. Trust Fund for Participation in the UNFCCC Process

44. As at 1 August 1998, contributions received for this year amounted to $954,949. Together with the balance of $1,170,117 from 1996-1997, the total income currently available to support participation in 1998 amounts to $2,125,066.

45. Expenditures to cover participation costs of 84 delegates from Parties eligible for financial support to attend the sessions of the subsidiary bodies in Bonn in June 1998 amounted to $320,000. In addition, support for attendance at relevant meetings was provided for members of the Bureau of the COP from Parties eligible for financial support.

46. It is envisaged that at least one delegate from each of the 147 eligible Parties will be provided with financial support to attend COP 4. A second participant will be financed from each of the least developed countries and small island developing States.

47. As indicated in document FCCC/SBI/1998/4, those Parties which are not least developed countries or small island developing States and which would normally be eligible for financial support to participate in the meetings of the Conference of the Parties and its subsidiary bodies, but which have not yet paid their 1996-1997 contributions, will not be considered for funding from the Trust Fund for Participation.

C. Trust Fund for Supplementary Activities

48. In addition to the $1,027,400 carried forward from the previous biennium, the secretariat has received contributions for supplementary activities totalling $1,355,567 in 1998, making a total income of $2,382,967. The secretariat's ability to plan and spend supplementary funds effectively in 1997 was severely constrained by the heavy schedule of meetings and preparation for COP 3. This resulted in the large carry-over of funds into 1998.

49. To better manage these funds, the Executive Secretary has established a Project Funding Group made up of senior staff members representing each programme. The function of this group is to monitor the use of supplementary funds by screening projects for the approval of the Management Group.

50. So far this year, four projects have been approved at a total cost of $1.1 million. One project will ensure that an information and outreach support team is in place to deliver basic information support functions to the secretariat, to Parties and to the public and will facilitate and promote the exchange of information among Parties and between Parties and the secretariat and other recognized constituencies. A second project will support problem-solving and promote the exchange of experience among non-Annex I Parties in the process of preparing their initial national communications and build their understanding of the information necessary for the preparation and submission of national communications as included in the guidelines (see decision 10/CP.2). One other project will implement a UNFCCC fellowship programme that aims to contribute to building capacity in connection with climate change in non-Annex I Parties through the development of local professional expertise, and another will enhance the capacity of the Office of the Executive Secretary to raise and manage supplementary funds.

51. In addition, this fund has been used to finance work related to AIJ under the pilot phase and additional activities emerging as the result of Articles 6, 12 and 17 of the Kyoto Protocol and to cover travel costs of additional experts from non-Annex I Parties to participate in the in-depth review of national communications from Annex I Parties.

D. Trust Fund for the Special Annual Contribution from the Government of Germany (Bonn Fund)

52. As part of its offer to host the secretariat in Bonn, the Government of Germany pledged a special annual contribution to UNFCCC to offset the costs primarily of organizing meetings and events in Germany. During the biennium 1996-1997, this contribution was accounted for as part of the Trust Fund for Supplementary Activities. Starting from January 1998, however, the Bonn Fund was established under a different account pursuant to decision 17/CP.3. The full amount of DM 3.5 million has been received for 1998. The timely payment of these funds in accordance with the bilateral arrangements betweer the Government of Germany and the Convention secretariat, has helped to ensure the smooth organization of intergovernmental meetings in Bonn.

53. Approximately DM 2.1 million, or 60 per cent of the 1998 Bonn Fund, will be spent on conference facilities and staff support as well as on the processing of documents, about DM 0.42 million, or 12 per cent, for information services and DM 0.54 million, or 15 per cent, for informal meetings and workshops in Bonn or in developing countries. The remaining 13 per cent is charged by the United Nations for administrative support.

III. PERSONNEL

A. Established posts

54. By its decision 15/CP.3, the COP approved 57 posts under the core budget for 1998, of which 36 are in the Professional category and above (P/D), and 21 in the General Service (GS) category. Contracts of two years' duration are offered for these posts. In addition, the Executive Secretary has created a number of posts under the Bonn Fund and the Trust Fund for Supplementary Activities. These posts are normally subject to one-year contracts. The United Nations has also approved 2 P and 5 GS posts payable from the overhead funds. Thus, the total number of established posts in the secretariat currently stands at 45 P/D and 34 GS. Table 2 (a) provides details on these posts by level and source of funds.

55. In view of the changes in the organizational structure and in the work programme, new or updated job descriptions were drawn up for all posts in the secretariat in 1998. Each post was evaluated and then classified by the United Nations to confirm the level. This process, launched early in 1998 and implemented in parallel with the development of a new policy on appointment and career development, resulted in a postponement of recruitment action until late April/early May 1998. The time it took to complete the classification exercise, and to advertise and fill vacant posts, altered the planned expenditures for the first half of 1998, as explained in paragraph 17 of this report.

B. Filling of vacancies

56. As of 1 January 1998, 66 per cent of core budget Professional posts and 53 per cent of those in the General Service category were occupied, with a large number of temporary staff filling the breach. By 31 July 1998 the occupancy level had risen to 74 per cent in both categories. Based on recruitment action currently under way, it is anticipated that 95 per cent of core budget posts will be filled by the end of the year. With regard to the Bonn Fund and the overhead posts, the occupancy rate is expected to reach 88 and 100 per cent, respectively, by December 1998. The high proportion of vacancies in the supplementary-funded posts is explained by the fact they were only created in July 1998, with recruitment action under way.

Table 2 (a): Comparison of established posts and filled posts in 1998 by source of funding
(as at 1 August 1998)

					Total	
	Core	**Supplementary**	**Bonn Fund**	**Overhead**	**Established**	**Filled**
ASG	1				1	1
D-2	2				2	1*
D-1	4				4	4
P-5	6	1		1	8	6
P-4	8		1	1	10	8
P-3	10	1	1		12	8
P-2	5	2	1		8	3
Subtotal	36	4	3	2	45	31
GS	21	2	6	5	34	25
Total	**57**	**6**	**9**	**7**	**79**	**56**

*Action has been taken to appoint the second D-2.

IV. ADMINISTRATIVE ARRANGEMENTS

57. Since the establishment of the permanent secretariat on 1 January 1996, the United Nations has provided it with administrative support services in accordance with the Secretary-General's note on institutional arrangements for the permanent secretariat (FCCC/CP/1995/5/Add.4), which was provisionally accepted by the Conference of the Parties at its first session (see decision 14/CP.1 para. 3).

58. Under these arrangements, administrative functions are performed partly by the United Nations, through the United Nations Office at Geneva, and partly by the Financial Management and Administration subprogramme of the secretariat. However, it was foreseen that the arrangements would evolve to cover the administrative needs resulting from the decentralized functioning of the secretariat in Bonn. As the secretariat has expanded and its needs have become more complex, it has become evident that it must undertake more administrative responsibilities.

59. The Executive Secretary and the United Nations Office at Geneva undertook a detailed review of the administrative arrangements in July a ıd August of 1998. It was concluded that UNFCCC should assume responsibility for all administrative, financial, personnel and procurement functions, in a phased and planned manner, with the exception of a few areas that require the involvement of administrative bodies established by the Secretary-General. The joint report by the Office and UNFCCC is currently under consideration by the Department of Administration and Management of United Nations Headquarters.

60. More information on progress made in this administrative review, including on the allocation of programme support funds, is provided in document FCCC/CP/1998/8/Add.1.

V. REVISED SCALE OF CONTRIBUTIONS

61. Following the General Assembly resolution to revise the United Nations scale of assessment (resolution 52/215 of 22 December 1997), the SBI, at its eighth session, considered the modalities to be used in determining the indicative scale of contributions to the core budget of the Convention. After reviewing the various options presented by the Executive Secretary, the SBI decided to recommend to COP 4 that the scale of contributions should be based on the new United Nations scale of assessment and follow the principle that all Parties should contribute to the Convention budget (FCCC/SBI/1998/6, para. 75). The annex to this document provides the revised indicative scale of contributions for each Party in 1998 and 1999.

62. The SBI also recommended that the financial procedures be amended to reflect the new modality. The financial procedures, as contained in decision 15/CP.1, annex I, paragraph 7 (a) of document FCCC/CP/1995/7/Add.1, should read: "Contributions made each year by Parties on the basis of the indicative scale adopted by consensus by the Conference of the Parties, and based on such a scale of assessments of the United Nations as may be adopted from time to time by the General Assembly, adjusted so as to ensure that no Party contributes less than 0.001 per cent of the total; that no one contribution exceeds 25 per cent of the total; and that no contribution from a least developed country Party exceeds 0.01 per cent."

63. These provisions are reflected in the draft omnibus decision on administrative and financial matters contained in the addendum to this document.

Annex

INDICATIVE SCALE OF CONTRIBUTIONS TO THE CORE BUDGET OF UNFCCC: 1998-1999

Party	Indicative scale	
	1998	1999
Albania	0.003	0.003
Algeria	0.112	0.09
Antigua and Barbuda	0.002	0.002
Argentina	0.74	0.984
Armenia	0.026	0.011
Australia	1.417	1.424
Austria	0.901	0.904
Azerbaijan	0.058	0.021
Bahamas	0.014	0.014
Bahrain	0.017	0.016
Bangladesh	0.01	0.01
Barbados	0.008	0.008
Belgium	1.056	1.06
Belize	0.001	0.001
Benin	0.002	0.002
Bhutan	0.001	0.001
Bolivia	0.008	0.007
Botswana	0.01	0.01
Brazil	1.459	1.413
Bulgaria	0.043	0.018
Burkina Faso	0.002	0.002
Burundi	0.001	0.001
Cambodia	0.001	0.001
Cameroon	0.013	0.012
Canada	2.722	2.646
Cape Verde	0.001	0.002
Central African Republic	0.002	0.001
Chad	0.001	0.001
Chile	0.109	0.126
China	0.868	0.935
Colombia	0.104	0.105
Comoros	0.001	0.001
Congo	0.003	0.003
Cook Islands	0.001	0.001
Costa Rica	0.016	0.015
Côte d'Ivoire	0.012	0.009
Croatia	0.054	0.035
Cuba	0.038	0.025
Cyprus	0.033	0.033
Czech Republic	0.163	0.116
Democratic People's Republic of Korea	0.03	0.018
Democratic Republic of the Congo	0.008	0.007

Party	Indicative scale	
	1998	1999
Denmark	0.662	0.664
Djibouti	0.001	0.001
Dominica	0.001	0.001
Ecuador	0.021	0.019
Egypt	0.066	0.062
El Salvador	0.012	0.012
Eritrea	0.001	0.001
Estonia	0.022	0.014
Ethiopia	0.007	0.006
European Community	2.5	2.5
Fiji	0.004	0.004
Finland	0.518	0.521
France	6.256	6.285
Gabon	(new Party)	0.014
Gambia	0.001	0.001
Georgia	0.056	0.018
Germany	9.277	9.425
Ghana	0.01	0.007
Greece	0.355	0.337
Grenada	0.001	0.001
Guatemala	0.018	0.017
Guinea	0.003	0.003
Guinea-Bissau	0.001	0.001
Guyana	0.001	0.001
Haiti	0.002	0.002
Honduras	0.004	0.003
Hungary	0.115	0.115
Iceland	0.031	0.031
India	0.294	0.287
Indonesia	0.167	0.177
Iran (Islamic Republic of)	0.292	0.185
Ireland	0.215	0.215
Israel	0.317	0.332
Italy	5.196	5.22
Jamaica	0.006	0.006
Japan	17.322	19.203
Jordan	0.008	0.006
Kazakhstan	0.119	0.063
Kenya	0.007	0.007
Kiribati	0.001	0.001
Kuwait	0.148	0.129
Lao People's Democratic Republic	0.001	0.001

Party	Indicative scale	
	1998	1999
Latvia	0.044	0.023
Lebanon	0.015	0.015
Lesotho	0.002	0.002
Liechtenstein	0.005	0.006
Lithuania	0.043	0.021
Luxembourg	0.064	0.065
Malawi	0.002	0.002
Malaysia	0.162	0.173
Maldives	0.001	0.001
Mali	0.003	0.002
Malta	0.013	0.013
Marshall Islands	0.001	0.001
Mauritania	0.001	0.001
Mauritius	0.009	0.009
Mexico	0.907	0.942
Micronesia (Federated States of)	0.001	0.001
Monaco	0.003	0.004
Mongolia	0.002	0.002
Morocco	0.039	0.039
Mozambique	0.002	0.001
Myanmar	0.009	0.008
Namibia	0.007	0.007
Nauru	0.001	0.001
Nepal	0.004	0.004
Netherlands	1.56	1.567
New Zealand	0.213	0.212
Nicaragua	0.002	0.001
Niger	0.002	0.002
Nigeria	0.067	0.038
Niue	0.001	0.001
Norway	0.583	0.586
Oman	0.048	0.049
Pakistan	0.058	0.057
Panama	0.015	0.012
Papua New Guinea	0.007	0.007
Paraguay	0.013	0.013
Peru	0.082	0.091
Philippines	0.074	0.077
Poland	0.242	0.199
Portugal	0.355	0.401
Qatar	0.032	0.032
Republic of Korea	0.92	0.955
Republic of Moldova	0.041	0.017
Romania	0.098	0.064
Russian Federation	2.768	1.429
Saint Kitts and Nevis	0.001	0.001

Party	Indicative scale	
	1998	1999
Saint Lucia	0.001	0.001
Saint Vincent and the Grenadines	0.001	0.001
Samoa	0.001	0.001
San Marino	0.002	0.002
Saudi Arabia	0.572	0.547
Senegal	0.006	0.006
Seychelles	0.002	0.002
Sierra Leone	0.001	0.001
Singapore	0.161	0.169
Slovakia	0.051	0.037
Slovenia	0.058	0.059
Solomon Islands	0.001	0.001
South Africa	0.352	0.352
Spain	2.477	2.488
Sri Lanka	0.013	0.012
Sudan	0.009	0.007
Suriname	0.004	0.004
Swaziland	0.002	0.002
Sweden	1.059	1.042
Switzerland	1.17	1.168
Syrian Arab Republic	0.06	0.061
Tajikistan	(new Party)	0.005
Thailand	0.152	0.16
The Former Yugoslav Republic of Macedonia	(new Party)	0.004
Togo	0.002	0.001
Trinidad and Tobago	0.017	0.016
Tunisia	0.027	0.027
Turkmenistan	0.014	0.008
Tuvalu	0.001	0.001
Uganda	0.004	0.004
Ukraine	0.653	0.29
United Arab Emirates	0.171	0.171
United Kingdom	4.89	4.891
United Republic of Tanzania	0.004	0.003
United States of America	25	25
Uruguay	0.047	0.046
Uzbekistan	0.074	0.036
Vanuatu	0.001	0.001
Venezuela	0.226	0.169
Viet Nam	0.01	0.007
Yemen	0.01	0.01
Yugoslavia	0.058	0.033
Zambia	0.003	0.002
Zimbabwe	0.009	0.009
TOTAL	100	100

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ADMINISTRATIVE AND FINANCIAL MATTERS

Audited financial statements for the biennium 1996-1997: report of the United Nations Board of Auditors

Note by the Executive Secretary

1. The financial procedures of the Convention stipulate that "the accounts and financial management of all funds governed by these financial procedures shall be subject to the internal and external audit process of the United Nations" (FCCC/CP/1995/7/Add.1, annex I, para. 18). The United Nations Board of Auditors, which is responsible for the functions of external audit, is composed of the heads of national audit authorities of three member States, currently Ghana, India and the United Kingdom of Great Britain and Northern Ireland.

2. By its decision 16/CP.3, the Conference of the Parties (COP) requested the Executive Secretary to submit to the fourth session of the COP (COP 4), through the Subsidiary Body for Implementation (SBI), a final report on the financial performance in the biennium 1996-1997, including audited financial statements. The SBI, at its eighth session, requested the Executive Secretary to submit to COP 4 audited financial statements and the reports from internal and external auditors (FCCC/SBI/1998/6, para. 74).

3. The Board of Auditors audited the financial statements for the biennium 1996-1997 and undertook a management audit of UNFCCC conference support arrangements. The full text of the report of the United Nations Board of Auditors, including the financial statements as at 31 December 1997 which was received by the secretariat on 25 September 1998, is attached as an annex to this cover note and reproduced as received without formal editing. The summary of

the report by the Board of Auditors, along with the reply by the secretariat to the audit observations and its report on the status of implementation of the recommendations, is contained in document FCCC/CP/1998/10.

4. The COP may wish to take note of the information contained in the audited financial statements and the report of the external auditors, as well as the comments by the secretariat, and provide guidance to the Executive Secretary as necessary.

Annex

UNITED NATIONS NATIONS UNIES

BOARD OF AUDITORS

NEW YORK

FAX (212) 963-3684

22 September 1998

Sir,

I have the honour to transmit to you the financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the biennium 1996-1997 ended 31 December 1997, which were submitted by the Executive Secretary. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

V. K. Shunglu

Vijay Krishna SHUNGLU
Comptroller and Auditor General
of India
and Chairman
United Nations Board of Auditors

The President of the Conference
of the Parties
United Nations Framework Convention
on Climate Change
Bonn, Germany

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC)

Audited financial statements
for the biennium 1996-1997 ended 31 December 1997

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Letter of transmittal dated 11 August 1998 from the Executive Secretary to the Chairman of the United Nations Board of Auditors

Pursuant to financial regulation 11.4, I have the honour to submit the annual accounts of the United Nations Framework Convention for Climate Change as at 31 December 1997, which I hereby approve.

.....

(signed)
Michael Zammit Cutajar

I. NARRATIVE FINANCIAL REPORT FOR THE BIENNIUM ENDED 31 DECEMBER 1997

Introduction

1. The Executive Secretary has the honour to submit herewith the financial report, together with the accounts for the biennium ended 31 December 1997, of the United Nations Framework Convention on Climate Change (UNFCCC). The report is presented in accordance with paragraph 16 of the Financial and common services arrangements for administrative support to the UNFCCC Secretariat.

STATEMENT 1

Statement of income and expenditure and changes in reserves and fund balances

I. Trust fund for the Core Administrative Budget of the UNFCCC

2. The amount of $13,767,634 shown in Statement I represents assessed contributions from Governments, from this amount $1,311,726 has not yet been paid by the end of 1997 and the amount of $1,961,231 represents voluntary contributions paid by various governments and donors to the Core Administrative Budget for the biennium 1996-1997 (Schedules 1.1 and 1.2). In addition, $223,307 was recevied as interest income, and $12,500 as other income, bringing the total income to $15,964,672. Expenditures for the biennium, including loss-on-exchange of $20,317, amounted to $12,881,319 which resulted in an excess of income over expenditure of $3,083,353. The prior period adjustment of $1,452 increased the excess to $3,084,805. Together with the transfer of $971,880 from GM fund from NYHQ to UNOG the reserve and fund balance of the Core Administrative Budget amounted to $4,056,685 at the end of biennium.

II. Trust Fund for Facilitating Participation of States Parties in the UNFCCC Process

3. A total amount of $2,517,966 was received during biennium as voluntary contributions from various governments (Schedule 1.1). In addition $117,287 was received from European Economic Community (EEC) (Schedule 1.3) and $34,601 as interest income. Thus, the total income of the fund was $2,669,854.

4. The total expenditure, which included $164,066 as loss on exchange, was $3,909,523, resulting in a shortfall of income over expenditure of $1,239,669.

5. Nevertheless, taking into account the transfers of $2,191,819 from the fund MK from NYHQ and $84,967 from the Fund for Voluntary Supplementary Financing of the Approved Activities under UNFCCC the total reserves and fund balance of the fund amounted to $1,037,117 at the end of biennium 1996-1997.

III. Trust Fund for Voluntary Supplementary Financing of the Approved Activities under UNFCCC

6. The voluntary contributions to the fund amounted to $5,510,890 for the biennium 1996-1997 (Schedule 1.1). Total income in this fund was $5,597,132 after inclusion of interest income of $86,242.

7. Total expenditure, including loss on exchange of $211,446 was $3,985,732 which resulted in an excess of income over expenditure of $1,611,400.

8. Together with the transfer from UNCTAD (fund ZH) of $568,351 and transfer to the Trust Fund for Facilitating Participation of States Parties on the UNFCCC Process of $84,967 the reserve and fund balance reached $2,094,784 at the end of 1997.

STATEMENT II

Statement of assets, liabilities, reserves and fund balances

I. Trust fund for the Core Administrative Budget of UNFCCC

9. The assets of the Trust Fund amounted to $5,567,938 and included cash of $3,080,268, assessed contributions receivable of $1,311,726, interfund balances receivable of $201,590 and other accounts receivable of $974,354.

10. The other accounts receivable included $281,165 representing salary advances to new staff members which were cleared to expenditure in 1998 when the advances were recorded upon payment of actual salaries.

11. The liabilities consisted of other accounts payable of $259,306, unliquidated obligations of $1,206,726 and assessed contributions received in advance for 1998 (Schedule 1.2) of $45,221.

12. The Working Capital Reserve reached $528,248 by the end of 1997 and cumulative surplus of the fund was $3,528,437.

II. Trust Fund for Facilitating Participation of States Parties in the UNFCCC Process

13. Total assets of $2,446,893 included cash of $1,332,550, inter-fund balances receivable of $1,113,543 and other accounts receivable of $800.

14. The liabilities consisted of other accounts payable of $279,576 and unliquidated obligations of $1,130,200.

15. The Cash Operating Reserve of the fund amounted to $94,244 and the cumulative surplus to $942,873 at the end of biennium 1996-1997.

III. Trust Fund for Voluntary Supplementary Financing of the Approved Activities under UNFCCC

16. The assets of the fund amounted to $2,274,376 and included cash of $2,111,671 and other accounts receivable of $162,705.

17. The liabilities consisted of inter-fund balances payable of $38,507, other accounts payable of $18,667 and unliquidated obligations of $122,418.

18. The Cash Operating Reserve reached $297,105 and the cumulative surplus was $1,797,679.

REPORT OF THE UNITED NATIONS BOARD OF AUDITORS

ON THE FINANCIAL STATEMENTS OF THE

FRAMEWORK CONVENTION ON CLIMATE CHANGE

FOR THE PERIOD ENDED 31 DECEMBER 1997

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II. REPORT OF THE BOARD OF AUDITORS

Summary

The Board of Auditors has audited the operations for the United Nations Framework Convention on Climate Change (UNFCCC). The Board also validated the financial statements of UNFCCC for the biennium ended 31 December 1997, and also conducted a management review of UNFCCC's conference support arrangements.

The Board's main findings are:

(a) there were uncertainties regarding the precise division of responsibility for accounting and the financial statements as between UNFCCC and the United Nations Office at Geneva (UNOG);

(b) to improve planning of major conferences, UNFCCC has established a planning forum to co-ordinate different strands of activity and recruited a conference manager to co-ordinate logistics and monitor progress;

(c) UNFCCC did not routinely use a checklist of procedures, or have a Manual, for setting up and organizing a major conference; nor did it draw up action plans for organizing the major conferences;

(d) UNFCCC did not identify the costs of organizing each major conference, including those costs borne by the United Nations Office at Geneva;

(e) the secretariat had established a sound system for evaluating major conferences. However, there was scope for broadening the coverage of questionnaires, for example to include more substantive issues, and for encouraging a better response rate.

Key recommendations made by the Board are:

(a) UNFCCC should, jointly with the United Nations Department of Management and UNOG, undertake the planned review of UNFCCC's administrative arrangements as a matter of priority, in order to strengthen and clarify accountability;

(b) the procedures and operational requirements for servicing major conferences should be incorporated into a Conference Support Manual, to include a checklist of key procedures;

(c) the secretariat should establish the cost of each major conference it organizes.

A list of the main recommendations is presented in paragraph 8 of the Board's report.

A. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the period 1 January 1996 to 31 December 1997, in accordance with Decision 15/CP1 of the Conference of the Parties. The audit was conducted in accordance with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialised agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January 1996 to 31 December 1997 had been incurred for the purposes approved by the governing bodies; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of UNFCCC presented fairly the financial position as at 31 December 1997. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence, to the extent the Board considered necessary to form an opinion on the financial statements.

3. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under regulation 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concern the efficiency of financial procedures, the internal financial controls and, in general, the administration of UNFCCC. In 1997, the Board examined UNFCCC's conference support arrangements.

4. The Board reported the results of specific audits in management letters containing detailed observations and recommendations to the Administration.

5. UNFCCC was established on 1 January 1996 as a permanent secretariat with its own budget approved by the Conference of the Parties. Its 1996-1997 financial statements are the first to be presented for audit by the United Nations Board of Auditors.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Conference of the Parties. The Board's observations and conclusions were discussed with the secretariat whose views, where appropriate, have been reflected in the present report.

7. The Board's main recommendations are presented in paragraph 8 below. The detailed findings are in paragraphs 9 to 41.

1. Main recommendations

8. The Board recommends that:

(a) UNFCCC should, jointly with the United Nations Department of Management and the United Nations Office at Geneva (UNOG), undertake the planned review of UNFCCC's administrative arrangements as a matter of priority in order to strengthen and clarify accountability (para. 12);

(b) the procedures and operational requirements for servicing major conferences should be incorporated into a Conference Support Manual, which should include a checklist of key procedures (para. 26);

(c) the secretariat should establish the cost of each major conference it organizes (para. 30);

(d) the secretariat should explore ways of increasing the response rate to post-conference evaluation questionnaires, and also of broadening their scope (para. 39).

B. Financial issues

1. United Nations Accounting Standards

9. The Board assessed the extent to which UNFCCC's financial statements for the biennium ended 31 December 1997 conform to the United Nations Accounting Standards. The review indicated that the presentation of the financial statements is generally consistent with the standards, except that the inventory value of non-expendable equipment, furniture and motor vehicles was not disclosed as required under paragraph 49 of the standards; and the extent of its liabilities for end-of-service benefits, post-retirement benefits and annual leave was not disclosed or provided for as required under paragraph 57 of the standards.

2. Responsibility for accounting and financial statements

10. The United Nations Office at Geneva (UNOG) provides book-keeping and accounting services for UNFCCC, including postings to the general ledger, administration of income, the calculation and payment of salaries and the generation of financial statements. This arrangement arose through UNFCCC's original location in Geneva and was to be reviewed in the light of the subsequent move to Bonn. The arrangements require UNOG to provide UNFCCC's Executive Secretary with information on the status of allotments, trial balance and unliquidated obligation, and for the final accounts to be submitted to the Executive Secretary for certification and submission to the Board of Auditors, for subsequent reporting to the UNFCCC Conference of Parties.

11. While UNFCCC's Executive Secretary accepts his formal responsibility for certifying the financial statements, in practice UNFCCC considers that its role regarding the statements is limited to budget planning and monitoring, and that it is unable to take full responsibility for the correct calculation and presentation of items in the financial statements. Uncertainties included the extent to which UNFCCC should check and verify general ledger, trial balance, allotment and other reports received from UNOG; and whether original supporting documentation should be retained by UNFCCC or by UNOG. The Board notes that these arrangements are to be reviewed by the United Nations Department of Management, UNOG and UNFCCC to permit effective operation and administration of the UNFCCC secretariat in Bonn.

12. The Board recommends that UNFCCC, jointly with the United Nations Department of Management and UNOG, undertake the planned review of UNFCCC's administrative arrangements as a matter of priority, in order to strengthen and clarify accountability.

3. Write-off of losses of cash, receivables and property

13. No cases were reported to the Board.

4. Ex-gratia payments

14. No ex-gratia payments were reported in 1996-1997.

C. Management issues

1. Costing and appraisal of conference facilities

Introduction

15. UNFCCC's ultimate objective is to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous human-made interference with the climate system. The Convention includes commitments by Member States, or parties, about publishing inventories of greenhouse gases, implementing plans to contain emissions, and co-operating with other countries in developing and applying new methods of reducing emissions.

16. The supreme body of the Convention is the Conference of the Parties (COP), which is supported by a secretariat responsible for co-ordinating the entire convention process. This includes organizing the meetings of the COP and its Subsidiary Bodies and providing supporting documentation and draft reports, usually in the six languages of the United Nations. The United Nations Office at Geneva (UNOG) provides certain administrative functions, and also undertakes translation, interpretation and document production on a common service basis. The secretariat moved its headquarters from Geneva to Bonn in August 1996. Until then meetings had normally been held at the Palais des Nations in Geneva, in facilities offered by UNOG.

17. UNFCCC's core administrative budget of $17,205,600 for the 1996-1997 biennium did not include conference-servicing costs of about $5.5 million, which are borne by the United Nations regular budget. The secretariat also receives voluntary funding by some member countries, both to support delegate participation at COP and Subsidiary Body meetings and for other general and specific purposes. These include an annual contribution from the German Government - known as the Bonn Fund - to off-set the extra costs of holding UNFCCC meetings in Bonn.

18. Against this background the Board decided that its first management audit of the UNFCCC should focus on the secretariat's planning, organization and subsequent evaluation of COP and Subsidiary Body meetings. The examination focused on three aspects of the secretariat's conference support arrangements:

- the planning and organization of COP 3 at Kyoto and the three meetings of the Subsidiary Bodies in 1997;
- the scheduling and processing of documents required before and during meetings;
- the effectiveness of the secretariat's review and follow-up procedures.

19. Any assessment of the secretariat's performance must recognize the pressures under which it was working in 1997. The move from Geneva to Bonn was a major upheaval - the secretariat suddenly lost almost half its staff at a time when it was faced with many new responsibilities, including the need to find and equip suitable conference facilities. Problems of cash flow (or late payment of contributions) led to key administrative posts not being filled for many months. Moreover, the secretariat had to organize two additional major conferences and respond to rapidly growing demands for support and information.

Planning and organization

20. COP normally meets once a year , the groundwork for much of its business having been undertaken at meetings of its Subsidiary Bodies. Following UNFCCC Rules of Procedure as applied, all these meetings take place at the seat of the secretariat unless a member country has offered to host the proceedings. The first, second and third meetings of the COP were held in Berlin, Geneva and Kyoto, respectively, and the fourth is to be held in Buenos Aires in November 1998. Meetings of Subsidiary Bodies were held first at Geneva and now at Bonn.

21. For sessions held in Bonn, the secretariat books suitable accommodation, meeting the rental costs and any additional expenditure necessary to ensure that the conference facility is similar to those at United Nations conference centres. Special furniture, signs and banners may be needed at times, as well as sound and interpretation equipment and computer and data communications networks. Extra staff also has to be engaged for the duration of the conference.

22. Where a session is held in a member country, the host Government meets all the direct costs, including the provision of conference halls, offices and meeting rooms and specified equipment and communications and computer systems. The host also provides local staff, bears the cost of transporting any secretariat records, supplies and equipment required for the conference and pays the travel costs of the UNFCCC secretariat staff and other United Nations officials. These financial and other arrangements are set out in a host country agreement.

23. As noted above, the secretariat was under intense pressure throughout 1997. Planning was also hampered by tight deadlines for organizing the conferences and the number of meetings to be held. Being a relatively new body, the secretariat had few established procedures and little relevant experience to draw upon for guidance.

24. The secretariat is aware of these difficulties and has begun to set up a planning framework that should allow decisions and actions to be considered in a more measured way. A planning forum has been established to co-ordinate different strands of activity, especially where issues and events involve more than one programme. The preparation for meetings of the Convention bodies will be a steady focus of the agenda, with the planning forum assisted by the Conference Support Task Force, which functioned informally in 1997, but from March 1998 was to meet regularly to develop both the logistical and substantive elements of forthcoming conferences and to come up with ideas for improving their organization and management.

25. The Board welcomes these measures, which should enable the secretariat to take a more considered view of the different aspects of conference organization. Following the appointment in August 1997 of a conference manager to co-ordinate logistics, monitor progress, and take prompt and appropriate action when problems arise, the Board expects the process of conference organization to be further strengthened. The Board notes that the secretariat has already considered ways of reducing the volume of conference support work to smooth its flow, by encouraging the Parties to establish the scheduling of meetings further in advance and to settle on a schedule marked by two sessional periods per year. The secretariat is also seeking to identify host countries earlier, so that it has enough time to establish its requirements and to negotiate the host country agreement.

26. The Board noted that UNFCCC did not routinely use a checklist, or have a Manual, setting out the procedures for setting up, and organizing, a major conference. **The Board recommends that the procedures and operational requirements for servicing conferences should be incorporated into a Conference Support Manual, which should include a checklist of key procedures.**

Cost comparisons

27. Cost is one of the main factors to be taken into account in deciding where conference should be held in Bonn. After a review of the facilities available, the secretariat concluded that only three sites were large enough for its needs. Two of these required an additional plenary hall to be provided in the form of a marquee or similar construction; and extra conversion costs had

to be incurred at each of the three facilities to ensure that they met United Nations conference requirements.

28. In 1997 the secretariat held a session at each of these three facilities, partly because of the limited choice available when the dates of the Subsidiary Body meetings were finalized, and partly because the secretariat wanted practical experience of the different facilities on offer before committing itself to any one of them in the longer term. The capital and rental costs of each facility are set out below.

Capital and rental costs of conference facilities

Location	Meeting (1997)	Installation costs * US$	Rental costs * US$	Total costs * US$
Facility A	Fifth Session of Subsidiary Bodies	406,125	133,630	**539,755**
Facility B	Sixth Session of Subsidiary Bodies	286,191	201,448	**487,639**
Facility C	Seventh Session of Subsidiary Bodies	303,174	172,608	**475,782**
TOTAL		**995,490**	**507,686**	**1,503,176**

* translated from Deutsch Marks to US$ at DM1.8 to US$1.

29. The installation costs for facility B included a sum of around $72,384 to install permanent computer network wiring, which then became the owner's property. The UNFCCC's contract with facility B provides for this expenditure to be recovered over time in the form of a rent rebate: $5,568 for the first meeting (in July/August 1997) and $11,136 for each of the next six meetings, if any. Although such an arrangement was unusual, UNFCCC justified it to the United Nations Committee on Contracts in Geneva on the grounds that temporary wiring would otherwise have had to be installed, at a cost of some $55,680 for each meeting, and this would have had to be dismantled after the meeting; and new wiring would need to be installed at the next conference site. Under the terms agreed with facility B, UNFCCC would realize a return on its investment after the second and any subsequent meetings held at that location. Further installation costs would be incurred, however, were another venue to be chosen.

30. The United Nations accounting system does not readily provide cost information by project, and expenditure on particular meetings is spread across different account codes and programmes. The Board considers that there would be an advantage in aggregating the expenditure, however, especially if the secretariat could obtain from UNOG the costs of supplying interpretation, translation and documentation services for each UNFCCC meeting. Such cost information would provide material for a comparative financial analysis of the alternative conference facilities in Bonn; it would promote a disciplined approach to the requirements made of UNOG and also inform decisions as to the level and nature of the

conference support to be provided; and it would enable the cost of future events to be estimated with more precision. **The Board recommends that the secretariat should seek to establish the cost of each conference it organizes.**

31. Given the high direct costs of renting and fitting out conference facilities, it is important that the secretariat should be able to demonstrate that it has achieved value for money. The Board welcomes the secretariat's intention to carry out a comparative financial analysis of the different conference venues. The Board suggests that the appraisal should examine the range of different prices and discounts available and any capital expenditure required, and also consider the possibility of securing better terms by negotiating a contract with one venue for, say, the next two or three years. While the Board recognizes the uncertainties as to conference dates, it believes that the secretariat needs to plan further ahead in its selection of conference sites.

Scheduling and processing of documents

32. Agendas, papers and documents, most drafted by the secretariat but some originating from the Parties, are required for every meeting of the COP and its Subsidiary Bodies. In 1997 nearly 3,000 separate pages were produced before meetings and between 2,000 to 5,000 copies of each of these were distributed to delegates and other interested organizations. Many of these papers were also translated into the five other languages of the United Nations.

33. This level of paperwork puts a premium on careful planning and monitoring if documents are to be drafted by the due dates and dispatched to Geneva for translation and reproduction in good time for them to be available when needed by the secretariat and those attending the meetings. The system was under great strain in 1997, however, partly because of staff shortages and pressures of work and partly because of weaknesses in the arrangements for scheduling documents and monitoring their delivery. Many of UNOG's deadlines for receiving copy were not met and a considerable amount of pre-session documentation for the Subsidiary Body meeting in February/March 1997 had to be reproduced during the meeting. There were also quality control problems, for example, some of the papers submitted did not meet UNOG's specifications.

34. The Board noted that the secretariat had responded positively to these problems, seeking to achieve better coordination with UNOG and setting up a task force to generate ideas for improving the documentation process and keeping their implementation under review. Many changes have been made. An early planning meeting now identifies what papers will be necessary, what inputs may be needed from the Parties, and who will draft the document and be responsible for its timely delivery. A schedule is subsequently drawn up showing when these must be submitted to UNOG, and this is used by the Conference Support team and the editor to track the progress of each paper and to take quick action when required.

35. Action is also being taken to eliminate unnecessary documentation. The secretariat has been reviewing document lengths carefully through its internal planning process; and the need

for papers, their content, presentation and length are all carefully considered at meetings with the Executive Secretary. Revised editorial guidelines now stress the need for conciseness and clarity.

36. These and other measures have made a great difference: the growth in the volume of documentation has been checked and the new tracking system has improved the throughput and timely submission of papers. The pressure will need to be maintained, however, in view of the increasing demands now being made of UNFCCC as a result of worldwide interest in its activities. The Board urges the secretariat to continue to keep the volume of documentation under close review and to take appropriate action to contain any expansion.

Review and follow-up procedures

37. At the end of each Subsidiary Body meeting and COP, the secretariat issues questionnaires to all those attending, whether as delegates, observers or members of non-government organizations. The questions mainly address domestic matters, such as the suitability of the conference facilities, the usefulness of specified items of office equipment, the quality of the catering arrangements and the effectiveness of support services, including the information desks, hot-line and the library. A further set of questions focuses on the usefulness of the information provided during meetings and the means by which information was accessed.

38. The questionnaires are analysed and evaluated by the secretariat and the results compared with those for previous conferences to identify trends. Any areas of dissatisfaction are highlighted by the conference support team and recommendations made for effecting improvements.

39. It is clearly important that the secretariat should seek the views of those whom it serves. The Board notes, however, that the response rate to the questionnaires has tended to be low (between 12 and 16 per cent) and this must weaken the confidence that may be placed on the results. Furthermore, the questionnaire is narrow in scope and barely touches on substantive issues, such as the quality, relevance and timeliness of pre-session documentation. **The Board therefore recommends that the secretariat explore ways of increasing the response rate and consider how the questionnaire might be re-designed so as to provide an assessment of the secretariat's performance across the full range of its conference support work.**

40. The secretariat also carried out evaluations of COP and Subsidiary Body meetings, which examined both substantive and organizational matters and sought to determine what went well, what went wrong and why. The main points emerging from the COP 3 (Kyoto) evaluation were subsequently considered by the new Planning Forum, which identified several issues that would need to be addressed in the organization of COP 4 (Buenos Aires). These included the need for:

- better planning, already addressed to a large extent by the appointment of the Conference Support Task Force and the Planning Forum;
- increased flexibility in the deployment of staff;

- improved links between teams assigned to different aspects of the conference.

The Board welcomes this systematic approach to evaluation.

2. Cases of fraud and presumptive fraud

41. No cases were reported to the Board.

D. Acknowledgement

42. The Board of Auditors wishes to express its appreciation for the co-operation extended by the Executive Secretary and staff of UNFCCC and by the United Nations Secretariat.

V. K. Shunglu

Vijay Krishna Shunglu
Comptroller and Auditor General
of India

Osei Tutu Prempeh
Auditor-General of Ghana

John Bourn

Sir John Bourn
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

22 September 1998

Audit Opinion

We have audited the accompanying financial statements, numbered I to IV, schedules 1.1 to 1.3 and the supporting notes of the United Nations Framework Convention on Climate Change for the financial period ended 31 December 1997. The financial statements are the responsibility of the Executive Secretary. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Secretary, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all respects, the financial position as at 31 December 1997 and the results of operations and cash flows for the period then ended in accordance with UNFCCC's stated accounting policies set out in note 2 of the financial statements.

Further, in our opinion, the transactions of UNFCCC which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Legislative Authority.

In accordance with article XII of the Financial Regulations, we have also issued a long-form report on our audit of UNFCCC's financial statements.

V. K. Shunglu

Vijay Krishna SHUNGLU
Comptroller and Auditor General of India

Osei Tutu PREMPEH
Auditor-General of Ghana

John Bourn

Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

22 September 1998

UNITED NATIONS
NATIONS UNIES

FRAMEWORK CONVENTION ON CLIMATE CHANGE - Secretariat
CONVENTION - CADRE SUR LES CHANGEMENTS CLIMATIQUES - Secrétariat

Executive Secretary
Secrétaire exécutif

Date: 11 August 1998
Ref: AZB/cbc
Direct line: 815-1307/1306

CERTIFICATION OF THE FINANCIAL STATEMENTS

I certify that the appended financial statements of the United Nations Framework Convention on Climate Change, numbered I to IV, are fairly stated.

Michael Zammit Cutajar

V. ACCOUNTS FOR THE BIENNIUM 1996-1997 ENDED 31 DECEMBER 1997

Annex I

FRAMEWORK CONVENTION ON CLIMATE CHANGE

I-Statement of income and expenditure and changes in reserves and fund balances for the biennium 1996-1997 as at 31 December 1997 (expressed in US Dollars)

	TF FOR THE CORE ADMINISTRATIVE BUDGET OF THE UNFCCC	TF FOR FACILITATING PARTICIPATION OF STATES PARTIES IN THE UNFCCC PROCESS	TF FOR VOLUNTARY SUPPLEMENTARY FINANCING OF THE APPROVED ACTIVITIES UNDER UNFCCC	
	FC	FI	FR	TOTAL
INCOME				
Indicative Contributions	13,767,634	-	-	13,767,634 /1
Pledged Contributions	1,961,231	2,517,966	5,510,890	9,990,087 /1
Received under Inter-Organization arrangements	-	117,287	-	117,287
Interest income	223,307	34,601	86,242	344,150
Miscellaneous income	12,500	-	-	12,500
TOTAL INCOME	15,964,672	2,669,854	5,597,132	24,231,658
EXPENDITURE				
Staff and other personnel costs	8,352,047	-	1,509,892	9,861,939
Travel	565,949	3,314,564	265,043	4,145,556
Contractual services	121,351	-	41,234	162,585
Operating expenses	675,497 /2	164,066 /3	1,671,059 /4	2,510,622
Acquisition	636,095	-	37,094	673,189
Fellowships, grants and other	1,050,796	-	27,200	1,077,996
Total Direct expenditure	11,401,735	3,478,630	3,551,522	18,431,887
Programme support costs	1,479,584	430,893	434,210	2,344,687
TOTAL EXPENDITURE	12,881,319	3,909,523	3,985,732	20,776,574
Excess (shortfall) of income over expenditures	3,083,353	(1,239,669)	1,611,400	3,455,084
Prior period adjustments	1,452	-	-	1,452
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURES	3,084,805	(1,239,669)	1,611,400	3,456,536
Transfers (to) from reserves and other funds	971,880 /5	2,276,786 /6	483,384 /7	3,732,050
Refund to donors	-	-	-	-
Savings on prior period obligations	-	-	-	-
RESERVES AND FUND BALANCES: BEGINNING OF PERIOD	-	-	-	-
RESERVES AND FUND BALANCES: END OF PERIOD	4,056,685	1,037,117	2,094,784	7,188,586

Annex II

FRAMEWORK CONVENTION ON CLIMATE CHANGE

II-Statement of assets, liabilities, and reserves and fund balances
for the biennium 1996-1997 as at 31 December 1997
(expressed in US Dollars)

	TF FOR THE CORE ADMINISTRATIVE BUDGET OF THE UNFCCC	TF FOR FACILITATING PARTICIPATION OF STATES PARTIES IN THE UNFCCC PROCESS	TF FOR VOLUNTARY SUPPLEMENTARY FINANCING OF THE APPROVED ACTIVITIES UNDER UNFCCC	
	FC	FI	FR	TOTAL
ASSETS				
Cash and term deposits	3,080,268	1,332,550	2,111,671	6,524,489
Investments	-	-	-	-
Indicative contributions receivable	1,311,726	-	-	1,311,726
Inter-fund balances receivable	201,590	1,113,543	-	1,315,133
Other accounts receivable	974,354 /8	800	162,705	1,137,859
Operating funds provided to executing agencies	-	-	-	-
TOTAL ASSETS	5,567,938	2,446,893	2,274,376	10,289,207
LIABILITIES				
Inter-fund balances payable	-	-	38,507	38,507
Other accounts payable	259,306	279,576	18,667	557,549
Unliquidated obligations	1,206,726	1,130,200	122,418	2,459,344
Contributions/Payments received in advance	45,221	-	-	45,221
TOTAL LIABILITIES	1,511,253	1,4 9,776	179,592	3,100,621
RESERVES AND FUND BALANCES				
Operating reserves	-	94,244	297,105	391,349
Working Capital Reserve	528,248	-	-	528,248
Cumulative surplus (deficit)	3,528,437	942,873	1,797,679	6,268,989
TOTAL RESERVES AND FUND BALANCES	4,056,685	1,037,117	2,094,784	7,188,586
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	5,567,938	2,446,893	2,274,376	10,289,207

/1 The contributions received are all in convertible currencies.

/2 Including loss on exchange of US$ 20,317.

/3 Including loss on exchange of US$ 164,066.

/4 Including loss on exchange of US$ 211,446.

/5 Representing funds transferred from UNNY to UNOG from fund GM.

/6 Representing MK funds transferred from UNNY for US$ 2,191,819 and US$ 84,967 received from fund FR.

/7 Representing transfer from ZH fund (UNCTAD) for US$ 568,351 less US$ 84,967 transferred to fund FI.

/8 Including US$ 281,165 representing salary advances to new staff members which will be cleared to expenditure in 1998.

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Combined status of pledges unpaid as at 31 December 1997

(Expressed in US dollars)

Schedule 1.1

Countries/Trust Funds	Pledges receivable as at 01.01.1996	ADD: Pledges for 1996/1997 and adj. of prior pledges	ADD: Pledges for future years	LESS: Collections in 1996	LESS: Collections in 1997	Total Collections	LESS: Loss (gain) on exchange	Pledges receivable as at 31.12.1997
I. Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Germany	-	1,935,442	-	967,700	967,742	1,935,442	-	-
Romania	-	20,480	-	-	20,480	20,480	-	-
Sub-total	-	1,955,922	-	967,700	988,222	1,955,922	-	-
Public Donations	-	5,309	-	1,531	3,778	5,309	-	-
Sub-total	-	5,309	-	1,531	3,778	5,309	-	-
Total	-	**1,961,231**	-	**969,231**	**992,000**	**1,961,231**	-	-
II. Trust Fund for facilitating participation of States Parties in the UNFCCC process (FI)								
Austria	-	25,000	-	25,000	-	25,000	-	-
Canada	-	35,826	-	-	35,826	35,826	-	-
Denmark	-	115,000	-	50,000	65,000	115,000	-	-
European Community	-	278,350	-	278,350	-	278,350	-	-
Germany	-	465,507	-	326,797	138,710	465,507	-	-
Greece	-	10,000	-	-	10,000	10,000	-	-
Ireland	-	43,596	-	-	43,596	43,596	-	-
Italy	-	163,226	-	-	163,226	163,226	-	-
Japan	-	405,555	-	301,776	103,779	405,555	-	-
Netherlands	-	171,065	-	92,891	78,174	171,065	-	-
New Zealand	-	23,710	-	-	23,710	23,710	-	-
Norway	-	44,763	-	44,763	-	44,763	-	-
St. Lucia	-	761	-	761	-	761	-	-
Sweden	-	115,000	-	40,000	75,000	115,000	-	-
Switzerland	-	84,317	-	84,317	-	84,317	-	-
United Kingdom	-	161,290	-	-	161,290	161,290	-	-
United States	-	375,000	-	-	375,000	375,000	-	-
Total	-	**2,517,966**	-	**1,244,655**	**1,273,311**	**2,517,966**	-	-

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Combined status of pledges unpaid as at 31 December 1997

(Expressed in US dollars)

Schedule 1.1

Countries/Trust Funds	Pledges receivable as at 01.01.1996	ADD: Pledges for 1996/1997 and adj. of prior pledges	ADD: Pledges for future years	LESS: Collections in 1996	LESS: Collections in 1997	Total Collections	LESS: Loss (gain) on exchange	Pledges receivable as at 31.12.1997
III. Trust Fund for Voluntary Supplementary Financing of the approved activities under UNFCCC (FR)								
Canada	-	7,791	-	-	7,791	7,791	-	-
European Community	-	94,313	-	94,313	-	94,313	-	-
Germany	-	3,948,128	-	1,316,189	2,631,939	3,948,128	-	-
Ireland	-	10,300	-	-	10,300	10,300	-	-
Italy	-	9,000	-	-	9,000	9,000	-	-
Japan	-	232,821	-	4,500	228,321	232,821	-	-
New Zealand	-	21,166	-	21,166	-	21,166	-	-
Norway	-	23,314	-	23,227	-	23,227	87	-
Sweden	-	33,940	-	16,381	17,559	33,940	-	-
Switzerland	-	185,517	-	185,517	-	185,517	-	-
United States	-	944,600	-	-	944,600	944,600	-	-
Total	**-**	**5,510,890**	**-**	**1,661,293**	**3,849,510**	**5,510,803**	**87**	**-**
GRAND TOTAL	**-**	**9,990,087**	**-**	**3,875,179**	**6,114,821**	**9,990,000**	**87**	**-**

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Albania	-	1,365	-	726	-	726	-	639
Algeria	-	21,846	-	-	-	-	-	21,846
Antigua and Barbuda	-	1,365	-	726	639	1,365	-	-
Argentina	-	65,401	-	35,621	-	35,621	-	29,780
Armenia	-	7,441	-	-	7,441	7,441	-	-
Australia	-	202,416	-	202,416	-	202,416	-	-
Austria	-	118,650	-	64,192	54,458	118,650	-	-
Azerbaijan	-	16,384	-	-	-	-	-	16,384
Bahamas	-	2,731	-	-	-	-	-	2,731
Bahrain	-	2,731	-	1,484	1,247	2,731	-	-
Bangladesh	-	1,365	-	-	-	-	-	1,365
Barbados	-	1,365	-	-	-	-	-	1,365
Belgium	-	116,047	-	-	48,857	48,857	-	67,190
Belize	-	1,365	-	-	1,365	1,365	-	-
Benin	-	1,365	-	-	615	615	-	750
Bhutan	-	1,365	-	-	1,365	1,365	-	-
Bolivia	-	1,365	-	-	-	-	-	1,365
Botswana	-	1,365	-	-	1,365	1,365	-	-
Brazil	-	222,146	-	-	222,146	222,146	-	-
Bulgaria	-	10,923	-	-	4,917	4,917	-	6,006
Burkina Faso	-	1,365	-	-	1,365	1,365	-	-
Burundi	-	563	-	-	-	-	-	563
Cambodia	-	1,211	-	-	-	-	-	1,211
Cameroon	-	1,365	-	-	-	-	-	1,365

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGES

Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Canada	-	425,312	-	230,238	195,074	425,312	-	-
Cape Verde	-	1,365	-	-	-	-	-	1,365
Central African Republic	-	1,365	-	-	-	-	-	1,365
Chad	-	1,365	-	-	-	-	-	1,365
Chile	-	10,923	-	-	10,923	10,923	-	-
China	-	100,900	-	100,886	14	100,900	-	-
Colombia	-	13,654	1,274	7,421	7,507	14,928	-	-
Comoros	-	1,365	-	-	-	-	-	1,365
Congo	-	728	652	-	1,380	1,380	-	-
Congo, Democratic Rep.of	-	1,365	-	-	1,365	1,365	-	-
Cook Islands	-	1,365	-	-	-	-	-	1,365
Costa Rica	-	1,365	-	-	-	-	-	1,365
Cote d'Ivoire	-	1,365	-	-	-	-	-	1,365
Croatia	-	9,061	-	-	2,305	2,305	-	6,756
Cuba	-	6,826	-	4,023	2,803	6,826	-	-
Czech Republic	-	36,114	-	19,295	16,819	36,114	-	-
Denmark	-	98,170	-	53,246	44,924	98,170	-	-
Djibouti	-	1,365	-	-	1,365	1,365	-	-
Dominica	-	1,365	-	-	-	-	-	1,365
Ecuador	-	2,730	-	-	-	-	-	2,730
Egypt	-	9,558	-	5,195	4,363	9,558	-	-
El Salvador	-	1,211	-	-	-	-	-	1,211
Eritrea	-	1,365	1,149	-	2,514	2,514	-	-
Estonia	-	5,462	-	3,154	2,308	5,462	-	-
Ethiopia	-	1,365	-	-	-	-	-	1,365

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
European Community	-	341,341	-	181,488	159,853	341,341	-	-
Fiji	-	1,365	-	-	1,365	1,365	-	-
Finland	-	84,516	-	45,825	38,691	84,516	-	-
France	-	878,546	-	475,505	403,041	878,546	-	-
Gambia	-	1,365	-	-	-	-	-	1,365
Georgia	-	16,384	-	-	8,720	8,720	-	7,664
Germany	-	1,239,823	-	671,050	568,773	1,239,823	-	-
Ghana	-	1,365	1,000	-	1,000	1,000	-	1,365
Greece	-	52,498	-	-	52,498	52,498	-	-
Grenada	-	1,365	-	-	-	-	-	1,365
Guatemala	-	2,423	-	-	2,423	2,423	-	-
Guinea	-	1,365	-	-	-	-	-	1,365
Guinea-Bissau	-	1,313	-	-	-	-	-	1,313
Guyana	-	1,365	-	-	-	-	-	1,365
Haiti	-	758	-	-	758	758	-	-
Honduras	-	1,313	-	-	-	-	-	1,313
Hungary	-	19,115	-	10,389	8,726	19,115	-	-
Iceland	-	4,096	-	2,226	1,870	4,096	-	-
India	-	42,940	-	-	19,669	19,669	-	23,271
Indonesia	-	19,115	-	-	19,115	19,115	-	-
Iran, Islamic Republic of	-	39,244	-	-	-	-	-	39,244
Ireland	-	28,672	-	15,584	13,088	28,672	-	-
Israel	-	23,513	-	-	23,513	23,513	-	-
Italy	-	712,245	-	-	331,390	331,390	-	380,855
Jamaica	-	1,365	-	-	1,365	1,365	-	-

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Japan	-	2,116,253	-	1,145,441	970,812	2,116,253	-	-
Jordan	-	1,365	-	726	639	1,365	-	-
Kazakhstan	-	27,307	-	-	-	-	-	27,307
Kenya	-	1,365	-	-	1,365	1,365	-	-
Kiribati	-	1,365	-	711	654	1,365	-	-
Korea, Democratic People's Republic of	-	6,826	-	-	-	-	-	6,826
Korea, Republic of	-	112,438	-	51,632	60,806	112,438	-	-
Kuwait	-	25,942	-	-	25,942	25,942	-	-
Lao People's Democratic Replubic	-	1,365	-	726	432	1,158	-	207
Latvia	-	10,923	9,156	6,122	13,957	20,079	-	-
Lebanon	-	1,365	-	-	-	-	-	1,365
Lesotho	-	1,365	798	-	2,163	2,163	-	-
Liechtenstein	-	1,365	-	726	639	1,365	-	-
Lithuania	-	11,538	-	-	11,538	11,538	-	-
Luxembourg	-	9,558	-	-	9,558	9,558	-	-
Malawi	-	1,365	-	-	-	-	-	1,365
Malaysia	-	19,115	-	-	19,115	19,115	-	-
Maldives	-	1,365	-	726	639	1,365	-	-
Mali	-	1,365	-	-	-	-	-	1,365
Malta	-	1,365	-	-	942	942	-	423
Marshall Islands	-	1,365	-	-	1,365	1,365	-	-
Mauritania	-	1,365	-	-	-	-	-	1,365
Mauritius	-	1,365	-	1,365	-	1,365	-	-
Mexico	-	108,342	-	-	22,524	22,524	-	85,818
Micronesia	-	1,365	-	1,365	-	1,365	-	-

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGES
Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Moldova Republic of	-	11,538	-	-	-	-	-	11,538
Monaco	-	1,365	-	726	-	726	-	639
Mongolia	-	1,365	-	-	1,365	1,365	-	-
Morocco	-	3,635	1,222	1,616	3,241	4,857	-	-
Mozambique	-	1,365	-	-	-	-	-	1,365
Myanmar	-	1,365	-	726	639	1,365	-	-
Namibia	-	1,365	-	726	639	1,365	-	-
Nauru	-	1,365	-	-	1,365	1,365	-	-
Nepal	-	1,365	-	-	-	-	-	1,365
Netherlands	-	217,435	-	117,089	100,346	217,435	-	-
New Zealand	-	33,384	26,636	33,398	26,636	60,034	(14)	-
Nicaragua	-	1,313	-	665	-	665	-	648
Niger	-	1,365	-	-	-	-	-	1,365
Nigeria	-	15,634	-	-	15,634	15,634	-	-
Niue	-	1,109	-	423	686	1,109	-	-
Norway	-	76,324	-	41,543	34,781	76,324	-	-
Oman	-	5,462	-	-	5,462	5,462	-	-
Pakistan	-	8,192	-	4,458	-	4,458	-	3,734
Panama	-	1,365	-	-	1,365	1,365	-	-
Papua New Guinea	-	1,365	-	-	1,365	1,365	-	-
Paraguay	-	1,365	-	-	-	-	-	1,365
Peru	-	8,192	-	-	3,688	3,688	-	4,504
Philippines	-	8,192	-	-	-	-	-	8,192
Poland	-	46,286	-	25,046	21,240	46,286	-	-
Portugal	-	37,480	-	-	37,480	37,480	-	-

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGES
Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Qatar	-	4,027	-	-	4,027	4,027	-	-
Romania	-	20,480	-	-	-	-	-	20,480
Russian Federation	-	609,979	-	200,000	131,000	331,000	-	278,979
Saint Kitts and Navis	-	1,365	-	726	639	1,365	-	-
Saint Lucia	-	1,365	-	726	-	726	-	639
Saint Vincent and the Grenadines	-	500	-	-	-	-	-	500
Samoa	-	1,365	-	-	1,365	1,365	-	-
San Marino	-	1,365	-	-	-	-	-	1,365
Saudi Arabia	-	98,785	-	-	-	-	-	98,785
Senegal	-	1,365	-	-	-	-	-	1,365
Seychelles	-	1,365	-	-	1,365	1,365	-	-
Sierra Leone	-	1,365	-	-	-	-	-	1,365
Singapore	-	3,503	-	-	-	-	-	3,503
Slovakia	-	10,923	-	10,923	-	10,923	-	-
Slovenia	-	8,841	-	-	3,567	3,567	-	5,274
Solomon Islands	-	1,365	-	-	-	-	-	1,365
South Africa	-	2,255	-	-	-	-	-	2,255
Spain	-	324,411	-	-	324,411	324,411	-	-
Sri Lanka	-	1,365	-	-	1,365	1,365	-	-
Sudan	-	1,365	-	-	-	-	-	1,365
Swaziland	-	743	-	-	-	-	-	743
Sweden	-	167,667	-	91,094	76,573	167,667	-	-
Switzerland	-	166,302	-	89,795	76,507	166,302	-	-
Synan Arab Republic	-	5,802	-	-	5,802	5,802	-	-
Thailand	-	17,750	-	-	17,750	17,750	-	-

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Togo	-	1,365	-	-	-	-	-	1,365
Trinidad and Tobago	-	4,096	-	-	4,096	4,096	-	-
Tunisia	-	4,096	3,334	2,226	5,204	7,430	-	-
Turkmenistan	-	4,096	-	-	4,096	4,096	-	-
Tuvalu	-	1,365	-	-	-	-	-	1,365
Uganda	-	1,365	-	-	-	-	-	1,365
Ukraine	-	35,658	-	-	-	-	-	35,658
United Arab Emirates	-	23,022	-	-	-	-	-	23,022
United Kingdom	-	728,629	-	394,430	334,199	728,629	-	-
United Republic of Tanzania	-	1,006	-	-	-	-	-	1,006
United States of America	-	3,413,400	-	1,650,000	1,763,400	3,413,400	-	-
Uruguay	-	5,462	-	-	-	-	-	5,462
Uzbekistan	-	19,115	-	10,204	8,911	19,115	-	-
Vanuatu	-	1,365	-	-	-	-	-	1,365
Venezuela	-	46,286	-	-	25,046	25,046	-	21,240
Viet Nam	-	1,365	-	-	-	-	-	1,365
Yemen	-	1,109	-	-	-	-	-	1,109
Yugoslavia	-	634	-	-	-	-	-	634
Zambia	-	1,365	-	-	-	-	-	1,365
Zimbabwe	-	1,365	-	726	-	726	-	[illegible]
Total	**-**	**13,767,634**	**45,221**	**6,017,496**	**6,483,647**	**12,501,143**	**(14)**	**1,311,726**

Schedule 1.3

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Details of Subventions
for the biennium 1996/1997 as at 31 December 1997
(Expressed in US dollars)

Fund Code	Donor		Amount
FI	EEC		117,287
		Sub-total	**117,287**

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

III. Statement of cash flows for 1996/1997 as at 31 December 1997

(Expressed in United States dollars)

	FC	FI	FR
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net excess (shortfall) of income over expenditures (Statement I)	3,083,353	(1,239,669)	1,611,400
(Increase) decrease in contributions receivable	(1,311,726)	-	-
(Increase) decrease in other accounts receivable	(974,354)	(800)	(162,705)
(Increase) decrease in other assets	-	-	-
Increase (decrease) in accounts payable	259,306	279,576	18,667
Increase (decrease) in unliquidated obligations	1,206,726	1,130,200	122,418
Increase (decrease) in other liabilities	45,221	-	-
Less: Interest income received	(223,307)	(34,601)	(86,242)
NET CASH FROM OPERATING ACTIVITIES	2,085,219	134,706	1,503,538
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:			
(Increase) decrease in inter-fund balances receivable	(201,590)	(1,113,543)	-
Increase (decrease) in inter-fund balances payable	-	-	38,507
Plus: Interest income received	223,307	34,601	86,242
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	21,717	(1,078,942)	124,749
CASH FLOWS FROM OTHER SOURCES:			
Savings on prior periods' obligations	-	-	-
Other adjustments to fund balance	973,332	2,276,786	483,384
NET CASH FROM OTHER SOURCES	973,332	2,276,786	483,384
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	3,080,268	1,332,550	2,111,671
CASH AND TERM DEPOSITS AT BEGINNING OF PERIOD	-	-	-
CASH AND TERM DEPOSITS AT END OF PERIOD	3,080,268	1,332,550	2,111,671

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Statement IV. The Core Administrative Budget: Status of expenditures against budget

for the biennium 1996-1997 ended 31 December 1997

(Expressed in US dollars)

Budget Classification	Approved Unobligated Budget	Expenditure			Balance
		Disbursements	Unliquidated Obligations	Total	
Policy-making organs	1,322,900	840,101	366,616	1,206,717	116,183
Executive direction and management	1,243,800	1,194,665	19,629	1,214,294	29,506
Communication, assessment and review	2,899,000	2,706,149	75,637	2,781,786	117,214
Financial and technical cooperation	1,091,100	1,029,261	32,181	1,061,442	29,658
Intergovernmental and information support	4,024,900	3,305,426	685,157	3,990,583	34,317
Implementation and planning	1,233,400	1,099,090	27,506	1,126,596	106,804
Total	**11,815,100**	**10,174,692**	**1,206,726**	**11,381,418**	**433,682**

The accompanying notes are an integral part of the financial statements.

VI. NOTES TO THE FINANCIAL STATEMENTS

Note 1. The Climate Change Secretariat and its activities

The secretariat of the United Nations Framework Convention on Climate Change was established on 1 January 1996 with the following purposes:

a) To make arrangements for session of the Conference of the Parties (COP) and its subsidiary bodies established under the Convention and to provide them with services as required;

b) To compile and transmit reports submitted to it;

c) To facilitate assistance to the Parties, particularly developing country Parties, on request, in the compilation and communication of information required in accordance with the provisions of the Convention;

d) To prepare reports on its activities and present them to the Conference of the Parties;

e) To ensure the necessary coordination with the secretariats of other relevant international bodies;

f) To enter, under the overall guidance of the Conference of the Parties, into such administrative and contractual arrangements as may be required for the effective discharge of its functions; and

g) To perform the other secretariat functions specified in the Convention and in any of its protocols and such other functions as may be determined by the Conference of the Parties.

Note 2. Summary of significant accounting policies of UNFCCC

1. The entire budget of the secretariat is funded by the State Parties to the Convention. During the 1996-1997 biennium, the secretariat administered the following three trust funds:

- The trust fund of the core administrative budget
- The trust fund for facilitating participation of States Parties in the UNFCCC process
- The trust fund for voluntary supplementary financing of the approved activities under UNFCCC

2. All the trust funds are established by the Secretary-General of the United Nations at the request of the Executive Secretary upon the approval of the Conference of the Parties.

3. Under the financial procedures adopted by the Conference of the Parties, the Executive Secretary prepares the administrative core budget for the following biennium and submits it to the COP for its consideration and approval. The approved budget constitutes authority to the Executive Secretary to incur obligations and make payments for the purposes for which the appropriations were approved.

4. For the biennium 1996-1997, the COP approved a core budget of US$17.2 million, out of which the equivalent of DM 3 million was paid by the host Government. The remaining amount is raised by all Parties, which are invited to make contributions based on the United Nations scale of assessment. Although the financial statement refers to these contributions as "assessed" to be consistent with the standard terms used in the United Nations system, in the Financial Procedures of UNFCCC they are referred as indicative contributions.

5. The Parties are also invited to make voluntary contributions to the trust funds for Participation and Supplementary Activities to meet the requirements estimated at $4.8 million and $2.8 million, respectively for the same biennium. The COP does not approve a budget limit for these trust funds.

6. The Executive Secretary issues allotments by objects of expenditure for activities under the Convention's budget within the available resources.

7. According to the arrangements established by the Under-Secretary General for Administration and Management of the United Nations, the financial and accounting services of the secretariat are provided by UNOG applying the Financial Regulations and Rules of the United Nations, as adopted by the General Assembly, the rules formulated by the Secretary-General for Administration and Management or the Controller. They also take fully into account the common accounting standards for the United Nations system, as adopted by the Administrative Committee on Co-ordination (ACC). The General Assembly has taken note of these standards in its resolution 48/216 C of 23 December 1993. The United Nations follows the International Accounting Standard 1 on the disclosure of accounting policies, as modified and adopted by the Consultative Committee on Administrative Questions at its fifty-fourth session, as shown below:

(i) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place;

(v) Financial statements should show corresponding figures for the preceding period;*

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.*

8. Fund accounting. The UNFCCC's accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Assembly or the Executive Director. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund.

9. The financial period of UNFCCC comprises of a biennium.

10. Pledged income is recognized when paid, and indicative contributions when due.

11. Translation of currencies. The accounts of the UNFCCC are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller. In respect of such currencies, the financial statements prepared at such intervals as may be prescribed by the Controller under delegation of authority from the Under-Secretary-General for Administration and Management, shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation significantly different from the application of the United Nations rates of exchange for the last month of the financial period, a footnote will be presented quantifying the difference.

12. The UNFCCC's financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services.

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* *This is not relevant to the 1996-1997 accounts of UNFCCC as this is the first set of accounts.*

13. Cash and investments. Funds on deposit in interest-bearing bank accounts, time deposits and call accounts are shown in the statements of assets and liabilities as cash.

14. Fixed assets. Maintenance and repairs are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendables and leasehold improvements are not included in the assets of the UNFCCC. Acquisitions are charged against budgetary accounts in the year of purchase.

15. The expenditures do not include possible costs to cover contingencies under Appendix D to the United Nations staff rules, for personnel financed under resources obtained from contributions. The term "expenditure" designates total obligations incurred whether liquidated or unliquidated.

16. Miscellaneous income:

(i) The net income realized from the revenue-producing activities is reported as miscellaneous income;

(ii) Refunds of expenditures charges to the prior financial periods are credited to miscellaneous income;

(iii) Moneys accepted in respect of which no purpose is specified have been treated as miscellaneous income;

(iv) On the closing of the accounts at the end of each financial period, if the balance of the exchange accounts reflects a net loss on exchange, it is charged to the budgetary account. If there is a net gain, this is credited to miscellaneous income;

(v) The proceeds from the sale of surplus property are credited to the miscellaneous income of the respective funds.

17. The trust fund statements reflect the "clean surplus theory" by processing adjustments through the current income and expenditure accounts. Material adjustments for prior periods are, however, shown in the financial statements below the results of the current period so as not to distort them.

18. Income tax refund policy. The UNFCCC salaries are charged to the budget on a net basis during the year in which the services have been rendered. Income tax refunds are charged to the year in which they are made to the staff member.

19. Unliquidated obligations for the current biennium in respect of UNFCCC remain valid for 12 months following the end of the biennium to which they relate.

20. The accounts receivable in statement II of the financial statement included $281,165 representing salary advances to new staff member which were cleared to expenditure in 1988 when the advances were recorded upon payment of actual salaries.

21. All contributions are deposited with the United Nations Office at Geneva.

22. The UNFCCC operates an imprest account in Deutsche Marks to cover its expenditures in Bonn, and submits its report to UNOG on a monthly basis.

23. On a monthly basis, UNOG provides the Executive Secretary with information on the status of allotments, trial balance and unliquidated obligations. The final accounts are submitted to the Executive Secretary for certification and submission to the Board of External Auditors and reporting to the Conference of the Parties.

24. The United Nations retains 13% of the actual expenditures of all the established trust funds for programme support costs. Under the present arrangement, the programme support funds are used, in part, for financing the administrative unit of the secretariat.

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